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held at

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June 19th to 30th, 1950

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Auspices

of

THE AMERICAN ASSOCIATION OF COLLEGES OF PHARMACY

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OFFICE OF THE SECRETARY OF THE ARMY

WASHINGTON, D. C.

DEPARTMENT OF THE ARMY

OFFICE OF THE CHIEF OF STAFF

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FOREWORD

We are submitting herewith a report of the proceedings of the Seminar in Pharmacy Administration held at The Ohio State University during the period June 19-30, 1950, inclusive. This Seminar was held under the auspices of the American Association of Colleges of Pharmacy and was financed by means of a grant from The American Foundation for Pharmaceutical Education.

It is the opinion of the Committee that the Seminar was successful in accomplishing its purpose. Members of the teaching staff had evidently given considerable thought and had spent considerable time in preparation and selection of the material to be presented as their contributions. As had been requested, mimeographed copies of abstracts of the several presentations were available for distribution to registrants. In our opinion all presentations were of high quality, both in respect to subject matter and delivery.

After careful study it was decided by the Committee to have the abstracts bound for distribution. Two copies of this report are being forwarded to every College of Pharmacy in the United States, one of which should be placed in the College Library and the other should be placed in the hands of the Head of the Department of Pharmacy Administration for his use and guidance.

Please note in the back of this volume a list of all registrants. The total number of registrants was sixty-six and thirty-five Colleges of Pharmacy were represented.

MEMORANDUM

We are submitting herewith a report of the proceedings of the Seminar in Pharmacy Administration held at The Ohio State University during the period June 19-30, 1950, inclusive. This Seminar was held under the auspices of the American Association of Colleges of Pharmacy and was financed by means of a grant from the American Foundation for Pharmaceutical Education.

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Please note in the back of this volume a list of all registrants. The total number of registrants was sixty-six and thirty-five Colleges of Pharmacy were represented.

We wish to take this opportunity to again thank the American Foundation for Pharmaceutical Education for its generous financial assistance in making it possible to hold the Seminars. Teachers from our Pharmacy schools are thus greatly stimulated and enabled to vastly improve the content of their courses and their teaching procedures. The value of such a program is vast in its potentials. Many thousands of pharmacy students will benefit thereby and thus, over the years, the profession itself will favorably reflect and justify the Foundation expenditures for Seminar purposes. The Directors of the Foundation are to be complimented upon their broad vision in recognizing the great need for such Seminars and the donors to the fund can be assured that their contributions are serving a constructive purpose.

We also wish to express thanks to all those who kindly participated in the program of the Seminar, and finally, we wish to express our deep appreciation to those in attendance for their regular attendance and respectful attention throughout the period of the program.

Respectfully submitted,

A.A.C.P. Committee on Seminar

Joseph B. Burt
Hugo H. Schaefer
Louis C. Zopf
H. H. Maynard
B. V. Christensen, Chairman

July 7, 1950

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 Louis C. Noy
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July 7, 1950

DOES THE PHARMACY STUDENT NEED BUSINESS TRAINING?

By E. L. Newcomb

The vast majority of pharmacy graduates are employed by large concerns or in retail pharmacies. The operation of a drug store today is a complicated matter and the pharmacist is called upon to do an increasing amount of business. It is not only the pharmacist's duty to be a good pharmacist, but also to be a good business man. The pharmacist must be able to handle the business side of his profession. He must be able to manage his store, to handle his accounts, and to deal with his customers. The pharmacist must be able to handle the business side of his profession. He must be able to manage his store, to handle his accounts, and to deal with his customers.

DOES THE PHARMACY STUDENT

NEED BUSINESS TRAINING?

Dr. E. L. Newcomb

American Foundation for Pharmaceutical Education

The pharmacist is a professional man. He is a man of science and of art. He is a man of high character and of high ability. He is a man who is called upon to do a difficult and important work. He is a man who is called upon to be a good pharmacist, a good business man, and a good citizen. He is a man who is called upon to be a good pharmacist, a good business man, and a good citizen.

The challenge of pharmacy today is to produce a pharmacist who is a good pharmacist, a good business man, and a good citizen. This is a challenge that can only be met by providing the pharmacist with the necessary business training. The pharmacist must be able to handle the business side of his profession. He must be able to manage his store, to handle his accounts, and to deal with his customers. The pharmacist must be able to handle the business side of his profession. He must be able to manage his store, to handle his accounts, and to deal with his customers.

This is an age of specialization. In the past, the pharmacist was a generalist. He was a man who was called upon to do a wide variety of work. He was a man who was called upon to be a good pharmacist, a good business man, and a good citizen. He was a man who was called upon to be a good pharmacist, a good business man, and a good citizen.

HOW THE PHARMACY STUDENT

KEEPS HIS BUSINESS TRAILING

Dr. H. L. Newcomb
American Foundation for Pharmaceutical Education

DOES THE PHARMACY STUDENT NEED BUSINESS TRAINING?

By E. L. Newcomb

The vast majority of pharmacy graduates ultimately become drug store managers or owners. The operation of a drug store includes a substantial amount of buying and selling as well as attending to many other details incident to the conduct of any retail business. It therefore becomes of prime importance that those who are preparing themselves to manage or own and operate retail drug stores should have good sound training in the basic principles relating to the conduct of a retail business. The pharmacy student who expects to devote his life work to teaching or research does not have the urgent need for this business training, except for the conduct of his personal affairs, as does the student who plans to run a retail drug store.

Rapid expansion in the field of distribution has taken place in this country since the turn of the century. Because of this fact there has been a great increase in the demand for well organized college training courses in the various fields of business. Schools of business have been developed by most of our state universities. In addition, there are many excellent individual colleges of business. For the most part these schools represent the younger colleges of our institutions of higher learning. They now offer regular four year undergraduate programs of study leading to a bachelor's degree. Many offer graduate work leading to the master's degree or a doctorate degree. Each year more students apply for admission than they can provide with teaching facilities. Courses offered are of a professional and scientific character.

Our colleges of pharmacy have long recognized the value of business training for their graduates who mostly enter the retail practice of pharmacy. Back in 1900 the Philadelphia College of Pharmacy required all students to take a course of business subjects which was offered. This included single and double entry bookkeeping, buying and selling, business contracts, notes, laws relating to business, etc. The course closed with each student being required to go through with all of the procedures incident to the purchase, operation for a period and then sale of a drug store. It was an intensely practical and valuable course; I know from personal experience. A few other colleges of pharmacy were offering similar courses at that time. These early courses were taught not by experts in the field of business but rather by some professor of pharmacy or chemistry. Unfortunately this still goes on to a large extent.

This is an age of specialization. In the arts, in the professions and in science we have specialists of all kinds. We would, today, no more think of hiring an expert in accounting or economics to teach pharmaceutical chemistry than we would think of choosing a chemist to teach economics and accounting. Experts in the various fields of pharmacy are not qualified to teach business subjects - and experts in business subjects are not properly equipped to teach pharmaceutical subjects. Yet, this is very largely what we have been trying to do. It just does not make sense. It is no doubt true that much of the

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criticism of our colleges of pharmacy on training in business subjects has been due to poor teaching.

These facts today are becoming generally recognized and accepted. One needs to be cautious not to overly criticize what has been done in the past. Most believe that our colleges of pharmacy did the best that they could under the circumstances during the last fifty years. Certainly they should be commended for the effort to provide some form of business training. The complexities of modern business operations are far more intricate than ever before. Teaching methods which may have been sufficient in days gone by are now no longer adequate.

The recent Pharmaceutical Survey gave careful attention to this subject. The Survey made a definite recommendation that each accredited college of pharmacy should have a separate department of business administration. This department should include economics, accounting, business law, drug store management, merchandising, etc. A staff of experts duly qualified should teach these subjects. Some of these courses such as economics and accounting may well be given in the freshman or sophomore year; others should be given in the junior or senior year.

The successful pharmacist of the future will need to know how to departmentize his store, how to maintain departmental operating costs, how to determine handling costs for different items and groups of items. He will need to know and apply the basic principles of sound buying, turnover and mark-up. He will need to know more about the proper allocation and utilization of space. All of these subjects and many others call for college instruction of a very high order.

How are our colleges of pharmacy to provide this kind of instruction? To many of us this is our most difficult problem. The need for a radical change is generally recognized. The fact that some thirty-five of our accredited colleges of pharmacy are represented here at this Seminar is most commendable. It indicates complete awareness of the importance of the problem and a realization that something must be done.

Schools of pharmacy representing a university, also having a school of business, are most fortunate. They may utilize staff experts in their schools of business to teach some of the basic courses such as economics and accounting. Such teachers may also be secured by colleges of pharmacy not having a university connection. On the other hand instructors adequately qualified to teach drug store management and closely related subjects are very few and far between. Still more scarce is the teacher well fitted to serve as head of the proposed Department of Pharmacy Administration.

Fortunately, just at this time, at least two of our graduate schools are now offering work leading to the Ph.D. degree with a joint pharmacy-commerce major. One of these schools is right here at Ohio State University, the other at Wisconsin. In the not too distant future these graduate schools should be turning out manpower qualified to head up the new departments of business administration

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of our pharmacy colleges which are so urgently needed. The American Foundation for Pharmaceutical Education has already underwritten two graduate fellowships covering work with majors in pharmacy-commerce subjects. Others no doubt will be provided in the future.

Until a more adequate supply of qualified teachers is available, every effort should be made to improve the quality and character of teaching by the existing manpower. This can be accomplished through attendance at Seminars such as this. Much also can be learned by following closely the current research being directed by the N.A.R.D. on Retail Drug Store Handling Costs, and the results of other research such as that of Eli Lilly & Company on Retail Drug Store Operating Costs. The work of the Bureau of Education on Fair Trade will also furnish much valuable information for the teaching of efficient drug store operation. Much of the research conducted by the National Wholesale Druggists' Association during recent years relates to retail drug store operation. The books by Heckert and Dickerson on Drug Store Accounting, and by Nolen & Maynard on Drug Store Management are being used as required texts by many of our colleges of pharmacy and serving in a most effective way. There are many other sources of information relating to successful drug store operation which are not being as extensively used by our colleges of pharmacy as desirable.

Each of us will take away from this first Pharmacy Administration Seminar a vast amount of valuable information. If we all make the full use of it that is possible it will go a long way toward improving our teaching of business subjects to pharmacy students.

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SEMINAR IN PHARMACY ADMINISTRATION

The purpose of this seminar is to provide a forum for the exchange of ideas and information among pharmacists and administrators in the field of pharmacy administration.

The seminar will be held at the University of Illinois at Chicago, Chicago, Illinois, from June 19-30, 1950.

PROGRAM

The seminar will be held at the University of Illinois at Chicago, Chicago, Illinois, from June 19-30, 1950. The program will consist of a series of lectures, discussions, and group projects. The topics to be covered include: the role of the pharmacist in the community, the organization of the pharmacy, the management of the pharmacy, the economics of the pharmacy, and the future of the pharmacy.

June 19-30, 1950

PROGRAM

SEMINAR IN PHARMACY ADMINISTRATION

June 19-30, 1950

- 9:00 A.M. Registration and Breakfast - Dr. William H. Sturges, Chairman, University of Illinois at Chicago
- 10:00 A.M. Introduction to the Seminar - Dr. William H. Sturges, Chairman, University of Illinois at Chicago
- 11:00 A.M. The Role of the Pharmacist in the Community - Dr. William H. Sturges, Chairman, University of Illinois at Chicago
- 12:00 P.M. Lunch - Dr. William H. Sturges, Chairman, University of Illinois at Chicago
- 1:00 P.M. The Organization of the Pharmacy - Dr. William H. Sturges, Chairman, University of Illinois at Chicago
- 2:00 P.M. The Management of the Pharmacy - Dr. William H. Sturges, Chairman, University of Illinois at Chicago
- 3:00 P.M. The Economics of the Pharmacy - Dr. William H. Sturges, Chairman, University of Illinois at Chicago
- 4:00 P.M. The Future of the Pharmacy - Dr. William H. Sturges, Chairman, University of Illinois at Chicago

June 19-30, 1950

- 9:00 A.M. Principles of Pharmacy Administration - Dr. William H. Sturges, Chairman, University of Illinois at Chicago
- 10:00 A.M. The Role of the Pharmacist in the Community - Dr. William H. Sturges, Chairman, University of Illinois at Chicago
- 11:00 A.M. The Organization of the Pharmacy - Dr. William H. Sturges, Chairman, University of Illinois at Chicago
- 12:00 P.M. Lunch - Dr. William H. Sturges, Chairman, University of Illinois at Chicago
- 1:00 P.M. The Management of the Pharmacy - Dr. William H. Sturges, Chairman, University of Illinois at Chicago
- 2:00 P.M. The Economics of the Pharmacy - Dr. William H. Sturges, Chairman, University of Illinois at Chicago
- 3:00 P.M. The Future of the Pharmacy - Dr. William H. Sturges, Chairman, University of Illinois at Chicago

PROGRAM

SEMINAR IN NURSING ADMINISTRATION

June 12-30, 1950

SEMINAR IN PHARMACY ADMINISTRATION

To be held in Social Administration Auditorium, The Ohio State University, Columbus, Ohio, June 19th to 30th inclusive.

Auspices of American Association of Colleges of Pharmacy.

PROGRAM

We are giving you herewith the time schedule of classes, the general topics to be discussed, and the name of the faculty member who has consented to lead the discussion. Each faculty member will offer opportunity to ask questions at the close of the period. An intermission of 10 minutes may be allowed between classes if desired.

Monday, June 19th

- 9:00 A.M. Announcements - Dr. B. V. Christensen, Chairman,
Committee on Seminar; Ohio State University
- 9:15 Principles of Economics as Applied to the Practice
of Pharmacy - Dr. J. H. Goodness, Massachusetts
College of Pharmacy
- 10:00 Accounting Problems of the Retail Drug Store -
Dr. William E. Dickerson, Ohio State University
- 11:00 Management of Retail Pharmacies - Dr. Stephen Wilson,
University of Pittsburgh
- 12:00 Lunch
- 1:00 P.M. Educational Principles and Teaching Techniques -
Dr. C. B. Mendenhall, Ohio State University
- 2:00 Same
- 3:00 Business Organization - Mr. William R. Davidson, Ohio
State University

Tuesday, June 20th

- 9:00 A.M. Principles of Economics, continued - Goodness
- 10:00 Accounting Problems, continued - Dickerson
- 11:00 Management of Retail Pharmacies, continued - Wilson
- 12:00 Lunch
- 1:00 P.M. Educational Principles and Teaching Techniques, con-
tinued - Mendenhall
- 2:00 Same
- 3:00 Business Organization, continued - Davidson

SEMINAR IN PHARMACY ADMINISTRATION

To be held in Social Administration Auditorium, The Ohio State University, Columbus, Ohio, June 19th to 20th inclusive.
Sponsored by American Association of Colleges of Pharmacy.

PROGRAM

We are giving you herewith the time schedule of classes, the general topics to be discussed, and the name of the faculty member who has consented to lead the discussion. Each faculty member will offer opportunity to ask questions at the close of the period. An intermission of 10 minutes may be allowed between classes if desired.

Monday, June 19th

9:00 A.M.	Announcements - Dr. E. V. Christensen, Chairman, Committee on Seminar, Ohio State University
9:15	Principles of Economics as Applied to the Practice of Pharmacy - Dr. J. H. Goodman, Massachusetts College of Pharmacy
10:00	Accounting Problems of the Retail Drug Store - Dr. William E. Jackson, Ohio State University
11:00	Management of Retail Pharmacies - Dr. Stephen Wilson, University of Pittsburgh
12:00	Lunch
1:00 P.M.	Educational Principles and Teaching Techniques - Dr. C. A. Bondanelli, Ohio State University
2:00	Games
3:00	Business Organization - Mr. William E. Davidson, Ohio State University

Tuesday, June 20th

9:00 A.M.	Principles of Economics, continued - Goodman
10:00	Accounting Problems, continued - Jackson
11:00	Management of Retail Pharmacies, continued - Wilson
12:00	Lunch
1:00 P.M.	Educational Principles and Teaching Techniques, con- tinued - Bondanelli
2:00	Games
3:00	Business Organization, continued - Davidson

Wednesday, June 21st

- 9:00 A.M. Pharmaceutical Economics, continued - Goodness
10:00 Accounting Problems, continued - Dickerson
11:00 Management of Retail Pharmacies, continued - Wilson
12:00 Lunch
1:00 P.M. Educational Principles and Teaching Techniques, continued - Mendenhall
2:00 Same
3:00 Business Organization, continued - Davidson

Thursday, June 22nd

- 9:00 A.M. Pharmaceutical Economics, continued - Goodness
10:00 Accounting Problems, continued - Dickerson
11:00 Management of Retail Pharmacies, continued - Wilson
12:00 Lunch
1:00 P.M. The Use of the Model Pharmacy as a Laboratory for Drug Store Merchandising and Sales Promotion - Dr. Seymour B. Jeffries, Brooklyn College of Pharmacy
2:00 Accounting Problems, continued - Dickerson
3:00 Accounting Laboratory - Dr. W. E. Dickerson and Mr. Harry Maerker, both of Ohio State University

Friday, June 23rd

- 9:00 A.M. Pharmaceutical Economics, continued - Goodness
10:00 Accounting Problems, continued - Dickerson
11:00 Management of Retail Pharmacies, continued - Wilson
12:00 Lunch
1:00 P.M. The Use of the Model Pharmacy, continued - Jeffries
2:00 Accounting Problems, continued - Dickerson
3:00 Accounting Laboratory, continued - Dickerson & Maerker

Wednesday, June 21st

9:00 A.M.	Pharmaceutical Economics, continued - Goodness
10:00	Accounting Problems, continued - Dickerson
11:00	Management of Retail Pharmacies, continued - Wilson
12:00	Lunch
1:00 P.M.	Educational Principles and Teaching Techniques, continued - Henderson
2:00	Same
3:00	Business Organization, continued - Davidson

Thursday, June 22nd

9:00 A.M.	Pharmaceutical Economics, continued - Goodness
10:00	Accounting Problems, continued - Dickerson
11:00	Management of Retail Pharmacies, continued - Wilson
12:00	Lunch
1:00 P.M.	The Use of the Model Pharmacy as a Laboratory for Drug Store Merchandising and Sales Promotion - Dr. Benson, S. Jelliffe, Brooklyn College of Pharmacy
2:00	Accounting Problems, continued - Dickerson
3:00	Accounting Laboratory - Dr. W. E. Dickerson and Mr. Harry Mottley, both of Ohio State University

Friday, June 23rd

9:00 A.M.	Pharmaceutical Economics, continued - Goodness
10:00	Accounting Problems, continued - Dickerson
11:00	Management of Retail Pharmacies, continued - Wilson
12:00	Lunch
1:00 P.M.	The Use of the Model Pharmacy, continued - Jelliffe
2:00	Accounting Problems, continued - Dickerson
3:00	Accounting Laboratory, continued - Dickerson & Mottley

SECOND WEEK

* * *

Monday, June 26th

- 9:00 A.M. Pharmaceutical Economics, continued - Goodness
10:00 Accounting Problems, continued - Dickerson
11:00 Management of Retail Pharmacies, continued - Wilson
12:00 Lunch
1:00 P.M. Does the Pharmacy Student Need Business Training? -
Dr. E. L. Newcomb, Director, American Foundation
for Pharmaceutical Education
2:00 Pharmacy Laws - Federal - Dr. Hugo H. Schaefer, Dean,
Brooklyn College of Pharmacy
3:00 Accounting Laboratory, continued - Dickerson & Maerker

Tuesday, June 27th

- 9:00 A.M. Pharmaceutical Economics, continued - Goodness
10:00 Marketing Manufactured Products - Dr. H. C. Nolen,
McKesson & Robbins, Inc.
11:00 Management of Retail Pharmacies, continued - Wilson
12:00 Lunch
1:00 P.M. Drug Store Personnel - Mr. T. G. Crawford, Director of
Personnel, Walgreen Drug Stores
2:00 Pharmacy Laws, continued - Schaefer
3:00 Merchandising - Mr. J. O. Peckham, Executive Vice-
President, A. C. Nielsen Co.

Wednesday, June 28th

- 9:00 A.M. Pharmaceutical Economics, continued - Goodness
10:00 Marketing Manufactured Products, continued - Nolen
11:00 Management of Retail Pharmacies, continued - Wilson
12:00 Lunch
1:00 P.M. Drug Store Personnel, continued - Crawford
2:00 Pharmacy Laws, continued - Schaefer
3:00 Accounting Laboratory, continued - Dickerson & Maerker

SECOND WEEK

Monday, June 25th

9:00 A.M.	Pharmaceutical Economics, continued - Goodhue
10:00	Accounting Problems, continued - Dickerson
11:00	Management of Retail Pharmacies, continued - Wilson
12:00	Lunch
1:00 P.M.	Does the Pharmacy Student Need Business Training - Dr. E. L. Newcomb, Director, American Foundation for Pharmaceutical Education
2:00	Pharmacy Law - Federal - Dr. Hugo R. Schaefer, Dean, Brooklyn College of Pharmacy
3:00	Accounting Laboratory, continued - Dickerson & Webster

Tuesday, June 26th

9:00 A.M.	Pharmaceutical Economics, continued - Goodhue
10:00	Marketing Manufactured Products - Dr. H. G. Nolan, McKesson & Robbins, Inc.
11:00	Management of Retail Pharmacies, continued - Wilson
12:00	Lunch
1:00 P.M.	Drug Store Personnel - Mr. T. G. Crawford, Director of Personnel, Walgreen Drug Stores
2:00	Pharmacy Law, continued - Schaefer
3:00	Notwithstanding - Mr. J. O. Fiedman, Executive Vice- President, J. C. McKesson Co.

Wednesday, June 27th

9:00 A.M.	Pharmaceutical Economics, continued - Goodhue
10:00	Marketing Manufactured Products, continued - Nolan
11:00	Management of Retail Pharmacies, continued - Wilson
12:00	Lunch
1:00 P.M.	Drug Store Personnel, continued - Crawford
2:00	Pharmacy Law, continued - Schaefer
3:00	Accounting Laboratory, continued - Dickerson & Webster

Thursday, June 29th

- 9:00 A.M. Pharmaceutical Economics, continued - Goodness
10:00 Marketing Manufactured Products, continued - Nolen
11:00 Management of Retail Pharmacies, continued - Wilson
12:00 Lunch
1:00 P.M. The Prescription Department - Dr. Ralph Clark, Dean,
College of Pharmacy, University of Oklahoma
2:00 Pharmacy Laws, continued - Schaefer
3:00 Accounting Problems, concluded - Dickerson

Friday, June 30th

- 9:00 A.M. Pharmaceutical Economics, concluded - Goodness
10:00 Marketing Manufactured Products, concluded - Nolen
11:00 Management of Retail Pharmacies, concluded - Wilson
12:00 Lunch
1:00 P.M. The Prescription Department, concluded - Clark
2:00 Pharmacy Laws, concluded - Schaefer
3:00 Reviews of the Seminar - B. V. Christensen, J. H. Goodness,
and Stephen B. Wilson

A.A.C.P. Committee on Seminar,

J. B. Burt
L. C. Zopf
H. H. Schaefer
H. H. Maynard
B. V. Christensen, Chairman

June 5, 1950

Thursday, June 29th

9:00 A.M.	Pharmaceutical Economics, continued - Goodness
10:00	Marketing Manufactured Products, continued - Nolan
11:00	Management of Retail Pharmacies, continued - Wilson
12:00	Lunch
1:00 P.M.	The Prescription Department - Dr. Ralph Clark, Dean, College of Pharmacy, University of Oklahoma
2:00	Pharmacy Laws, continued - Schaefer
3:00	Accounting Problems, concluded - Dickerson

Friday, June 30th

9:00 A.M.	Pharmaceutical Economics, concluded - Goodness
10:00	Marketing Manufactured Products, concluded - Nolan
11:00	Management of Retail Pharmacies, concluded - Wilson
12:00	Lunch
1:00 P.M.	The Prescription Department, concluded - Clark
2:00	Pharmacy Laws, concluded - Schaefer
3:00	Review of the Seminar - R. V. Christensen, J. H. Goodness, and Stephen E. Wilson

A.A.C.P. Committee on Seminar,

J. H. Goodness
 R. V. Christensen
 H. E. Schaefer
 E. E. Wynne
 L. G. Boyd
 J. E. Burt

June 5, 1950

PHARMACY ADMINISTRATION

RECOMMENDATIONS OF CONSULTATIVE COMMITTEE

This Consultative Committee was appointed by the Director of the Pharmaceutical Survey to cooperate with the Committee on Curriculum in making a special study of the area of "Pharmacy Administration." This report is included in the monograph on The Pharmaceutical Curriculum. Grateful acknowledgement is hereby made for permission to use this statement in the Report of the Seminar in Pharmacy Administration.

PHARMACY ADMINISTRATION

RECOMMENDATIONS OF COMPARATIVE COMMITTEE

This Committee was organized by the Director of the Department of Health to compare the results of the examination of candidates for the Pharmacy License in the State of New York with the results of the examination of candidates for the Pharmacy License in the State of New Jersey. The Committee was organized on June 1, 1910, and has since that time been engaged in a study of the requirements for the Pharmacy License in the State of New York and in the State of New Jersey. The Committee has held several public hearings and has received many suggestions from the public. The Committee has also held several private hearings and has received many suggestions from the public. The Committee has also held several private hearings and has received many suggestions from the public. The Committee has also held several private hearings and has received many suggestions from the public.

PHARMACY ADMINISTRATION*

A very large proportion of the students in colleges of pharmacy prepare themselves to maintain and operate retail pharmacies. It is essential, therefore, that the pharmaceutical curriculum include subjects aimed at developing competency in such activities.

Definition and Scope

Pharmacy administration, as used in this report, is the study of the acquisition, management, and operation of a retail pharmacy. Broadly conceived, it deals with facts and principles that are appropriately covered under economics, accounting, drug marketing, pharmacy management, and law.

Instruction in the administrative aspects of a retail pharmacy has been given under various titles. Formerly the term commercial pharmacy was used, and one finds it in occasional use today. Later the term pharmaceutical economics was employed in some quarters, and it was adopted in 1929 by the conference of teachers in this field. The term employed in this report -- "pharmacy administration" -- is adapted from business administration, which is now much used in colleges and universities to comprise an extensive field of study.

Pharmacy administration selects from the great wealth of knowledge of business administration and law those facts and principles that are pertinent to the maintenance and operation of a pharmacy and adapts them to its purposes. Moreover, it develops certain additional facts and principles of its own; that is, facts and principles that are distinctive in the management of a pharmacy. It does all this from the point of view of rendering professional pharmaceutical service for the public.

Basic Considerations

To a large extent the modern pharmacy is a merchandising enterprise which operates in a highly competitive field. The pharmacist directs a complex merchandising establishment which carries several thousand items, and represents a sizable investment. His annual sales may average more than \$60,000. He employs personnel for various purposes and has numerous business and financial relationships. The pharmacist's success in operating the establishment depends largely upon his ability to use the same managerial principles and tools that are employed in merchandising generally. To be sure, a pharmacy has distinctly professional aspects which must be conserved, but obviously it is not possible to operate the pharmacy unless the economic and administrative aspects also have attention.

A considerable part of the retail pharmacist's time is spent in the management of his store, rather than in the preparation of prescriptions. True, the vital element of his business, the professional aspect on which the commun-

* This chapter was prepared with the assistance of a consultative committee consisting of: (1) B. Olive Cole, Phar.D., LL.B., professor of economics and pharmaceutical law, University of Maryland; (2) Joseph H. Goodness, Ph.G., B.B.A., LL.M., associate professor of economics and business administration, Massachusetts College of Pharmacy; (3) Harold H. Maynard, Ph.D., professor of marketing and chairman of the Department of Business Organization, Ohio State University; (4) Herman C. Nolen, Ph.D., vice president, McKesson and Robbins, Inc., formerly associate professor of marketing at Ohio State University; (5) Paul C. Olsen, Ph.D., lecturer on accounting and marketing, Rutgers University and Philadelphia College of Pharmacy and Science; (6) Stephen Wilson, Ph.D., professor of pharmacy and vice dean of the College of Pharmacy, University of Pittsburgh.

A very large proportion of the students in colleges of this country are interested in the study of the history of the United States. It is not only the students of the history of the United States, but also the students of the history of the world, who are interested in the study of the history of the United States. The study of the history of the United States is a very important part of the education of the American people. It is a study which is of great interest to the American people, and it is a study which is of great importance to the American people. The study of the history of the United States is a study which is of great interest to the American people, and it is a study which is of great importance to the American people.

It deals with facts and principles that are progressively covered in the course. The book is written in a clear, concise, and readable style. It is a valuable resource for students and professionals alike.

There is no doubt that the term "business administration" has been used in the administrative aspects of a retail business, and given under various titles. Formerly the term commercial management was used. Later the term "business administration" was adopted in some quarters, and it was adopted in 1928 by the Committee on Business Administration in this field. The term employed in this report is "business administration," which is now employed in colleges and universities to designate an extensive field of study.

It does all this from the point of view of rendering professional assistance
in their own countries; that no distinction is made between the management of a business,
however, it develops certain additional facts and principles of its own kind.
to the importance and execution of a plan and stage them in the process.
business administration and law those facts and principles that are common
to business administration subjects from the great wealth of knowledge of

To a large extent the modern pharmacy is a merchandising enterprise which operates in a highly competitive field. The pharmacist directs a complex merchandising establishment which carries several thousand lines, and reports to a single investment. His annual sales are averages more than \$50,000. He employs personnel for various purposes and has numerous business and financial relations with the pharmacist's success in operating the establishment depends largely upon his ability to use the most successful techniques and tools that are being used in merchandising generally. To be sure, a pharmacy has distinctive professional aspects which must be recognized, but obviously it is not possible to ignore the changes which the economic and administrative aspects also have undergone.

A countable part of the total population of the United States is made up of the Negroes, who are the only race of color in the country. They are the descendants of the Negroes who were brought to America by the slave traders in the 17th and 18th centuries. They are the only race of color in the country. They are the descendants of the Negroes who were brought to America by the slave traders in the 17th and 18th centuries.

[illegible]

ity and professional medicine are dependent, is his training and experience in the science and art of pharmacy without which he would be a retailer and nothing more. However, he cannot long maintain his establishment, which serves as a vehicle for the presentation of his professional services, with training in the science and art of pharmacy alone.

In recent years the principles of administering business in a very complicated economic order have been formulated and organized. Concurrently there has been a rapid development of instruction in business administration, and many young men who plan to engage in business activities now pursue courses in this field in college as preparation for their work. In fact, so great are the financial risks involved and so difficult are many of the problems that have to be dealt with that only the unwary and the reckless enter upon business beyond a very small scale without first having acquired a knowledge of business principles both through careful study and some form of first-hand contact with it.

The point of view of this report is that a college or school of pharmacy cannot, in justice to its students, neglect training in pharmacy administration. It is not enough that students who prepare to be retail pharmacists should have good training in the science courses; the college or school has an obligation to provide them with the necessary training to practice their profession. A mere smattering of knowledge about the administrative aspects of pharmacy is not sufficient for the pharmacist. He needs to comprehend sound principles of economics and administration. Involved in this understanding are a knowledge of (1) economic institutions, (2) the flow of goods from producer to consumer, (3) the management of an enterprise or establishment, and (4) the legal aspects of establishing and operating a pharmacy.

The demands must be recognized through substantial courses in the field of pharmacy administration to the extent that they become a major feature of the curriculum. This field must have the same kind of careful study as other divisions of the curriculum; it should not be limited to teaching activities but should also include research.

Fear is sometimes expressed that the introduction of adequate instruction in administration in the pharmaceutical curriculum may prove inimical to professional ideals and standards. No doubt that danger may be present, but it can be eliminated if sufficient instruction time is allowed so that the ethical and social aspects of pharmacy administration may be given as well as its operating principles. Greatly abbreviated administration courses are most likely to be dangerous in this respect.

Instruction in College Pharmacy

Instruction in the field of pharmacy administration is offered by all colleges of pharmacy but in varying amounts. For example, one college offers only one course -- pharmaceutical law -- and gives only one semester hour of credit for it. In contrast, another college of pharmacy includes in its curriculum four courses amounting to 18 semester hours of credit, distributed as follows: (1) Economics, 6; (2) accounting, 3; (3) pharmaceutical economics (drug store management), 5; and (4) jurisprudence, 4. Between these extremes the total number of semester hours devoted to this instruction are as shown in table 1, the average (arithmetic mean) being 9.

ity and professional medicine are dependent, as his training and experience in the science and art of pharmacy without which he would be a retail pharmacist. However, he cannot lose sight of his responsibility, which is to the public, for the presentation of his professional services, which is to be in the science and art of pharmacy alone.

In recent years the principles of administrative business in a community have been formulated and organized. Consequently, there has been a rapid development of instruction in business administration, and many young men have been engaged in business activities not only in the field of college as preparation for their work, but also in the field of business administration and no doubt the number of the students who have to be dealt with that only the university and the colleges enter upon this subject a very small number without first having acquired a knowledge of business principles both through careful study and some form of first-hand contact with it.

The point of view of this report is that a college or school of pharmacy cannot, in justice to the student, neglect training in business administration. It is not enough that students who prepare to be retail pharmacists should be trained in the science of pharmacy; the college or school has an obligation to train them with the necessary training to practice their profession. A knowledge of business administration is not only a necessary part of the pharmacist's education, but it is also a part of the pharmacist's training. It is not enough that students should be trained in the science of pharmacy; they should also be trained in the science of business administration. This is the point of view of this report. It is not enough that students should be trained in the science of pharmacy; they should also be trained in the science of business administration. This is the point of view of this report. It is not enough that students should be trained in the science of pharmacy; they should also be trained in the science of business administration. This is the point of view of this report.

The demands must be recognized through substantial courses in the field of business administration to the extent that they become a major factor in the training of the pharmacist. This field must have the same kind of careful study as other fields of the curriculum; it should not be limited to teaching activities in the field of business administration.

It is suggested that the introduction of adequate instruction in business administration in the pharmaceutical curriculum may prove helpful to the pharmacist. It is suggested that the introduction of adequate instruction in business administration in the pharmaceutical curriculum may prove helpful to the pharmacist. It is suggested that the introduction of adequate instruction in business administration in the pharmaceutical curriculum may prove helpful to the pharmacist. It is suggested that the introduction of adequate instruction in business administration in the pharmaceutical curriculum may prove helpful to the pharmacist.

Instruction in College Pharmacy

Instruction in the field of pharmacy administration is offered by all colleges of pharmacy but in varying amounts. For example, one college offers only one course—business administration law—and gives only one semester hour credit for it. In contrast, another college of pharmacy includes in its curriculum four courses amounting to 12 semester hours of credit, distributed as follows: (1) Economics, 3; (2) Management, 3; (3) Business Administration, 3; (4) Business Law, 3. Between these two extremes the total number of semester hours devoted to this instruction are as shown in Table I, the average (arithmetical mean) being 2.

Table 1. Distribution of colleges of pharmacy according to the number of semester hours of instruction in pharmacy administration included in the curriculum.

Semester hours of instruction	Number of colleges of pharmacy	Semester hours of instruction	Number of colleges of pharmacy
18	1	8	13
17	1	7	2
16	2	6	6
15	3	5	5
14	3	4	2
13	1	3	2
12	2	2	2
11	4	1	1
10	6	Total.... 64	
9	8		

The branches of pharmacy administration most commonly included in pharmaceutical curriculums are pharmaceutical law and drug store management. (See table 2.) Other branches taught in more than half of the colleges are economics and accounting. Most of these courses carry 3 or more semester hours of credit, with the exception of pharmaceutical law for which the average is 2 semester hours.

Table 2. Distribution of colleges of pharmacy according to the number of semester hours of instruction in various branches of pharmacy administration included in the curriculum.

Semester hours of instruction	Number of colleges of pharmacy offering				
	Economics	Accounting	Drug Store Management	Advertising Salesmanship	Pharmaceutical Law
7	1	1	...	...	...
6	6	...	5	...	1
5	1	...	2	...	...
4	2	1	12	1	2
3	25	20	13	7	9
2	2	5	18	1	35
1	1	6	...	...	5
Median (semester hrs.)	3	3	3	3	2
Total number of colleges	38	33	50	9	52

The Program Recommended

In recommending the instruction in pharmacy administration that is essential in the pharmaceutical curriculum one must select from a wealth of materials in such subjects as economics, management, and jurisprudence those that are particularly pertinent to the operations of a retail pharmacy. The subject matter must be extensive enough to provide an adequate foundation for understanding those operations to the point where the student is able to judge the operations critically and to carry them on intelligently and as befits a

Table 1. Distribution of colleges of pharmacy according to the number of semester hours of instruction in pharmacy administration included in the curriculum.

Number of colleges of pharmacy	Number of colleges of pharmacy	Semester hours of instruction	Number of colleges of pharmacy
18	1	8	1
17	1	10	1
16	2	10	1
15	1	10	1
14	1	10	1
13	1	10	1
12	1	10	1
11	1	10	1
10	1	10	1
9	1	10	1
Total...		1	1

The number of pharmacy administration most commonly included in the curriculum is 10 semester hours. The number of colleges of pharmacy which include 10 or more semester hours of instruction in pharmacy administration is 10. The number of colleges of pharmacy which include 10 or more semester hours of instruction in pharmacy administration is 10.

Table 2. Distribution of colleges of pharmacy according to the number of semester hours of instruction in various phases of pharmacy administration included in the curriculum.

Number of colleges of pharmacy offering	Number of colleges of pharmacy offering	Number of colleges of pharmacy offering	Number of colleges of pharmacy offering	Number of colleges of pharmacy offering
1	1	1	1	1
2	1	1	1	1
3	1	1	1	1
4	1	1	1	1
5	1	1	1	1
6	1	1	1	1
7	1	1	1	1
8	1	1	1	1
9	1	1	1	1
10	1	1	1	1
11	1	1	1	1
12	1	1	1	1
13	1	1	1	1
14	1	1	1	1
15	1	1	1	1
16	1	1	1	1
17	1	1	1	1
18	1	1	1	1
19	1	1	1	1
20	1	1	1	1
21	1	1	1	1
22	1	1	1	1
23	1	1	1	1
24	1	1	1	1
25	1	1	1	1
26	1	1	1	1
27	1	1	1	1
28	1	1	1	1
29	1	1	1	1
30	1	1	1	1
31	1	1	1	1
32	1	1	1	1
33	1	1	1	1
34	1	1	1	1
35	1	1	1	1
36	1	1	1	1
37	1	1	1	1
38	1	1	1	1
39	1	1	1	1
40	1	1	1	1
41	1	1	1	1
42	1	1	1	1
43	1	1	1	1
44	1	1	1	1
45	1	1	1	1
46	1	1	1	1
47	1	1	1	1
48	1	1	1	1
49	1	1	1	1
50	1	1	1	1
51	1	1	1	1
52	1	1	1	1
53	1	1	1	1
54	1	1	1	1
55	1	1	1	1
56	1	1	1	1
57	1	1	1	1
58	1	1	1	1
59	1	1	1	1
60	1	1	1	1
61	1	1	1	1
62	1	1	1	1
63	1	1	1	1
64	1	1	1	1
65	1	1	1	1
66	1	1	1	1
67	1	1	1	1
68	1	1	1	1
69	1	1	1	1
70	1	1	1	1
71	1	1	1	1
72	1	1	1	1
73	1	1	1	1
74	1	1	1	1
75	1	1	1	1
76	1	1	1	1
77	1	1	1	1
78	1	1	1	1
79	1	1	1	1
80	1	1	1	1
81	1	1	1	1
82	1	1	1	1
83	1	1	1	1
84	1	1	1	1
85	1	1	1	1
86	1	1	1	1
87	1	1	1	1
88	1	1	1	1
89	1	1	1	1
90	1	1	1	1
91	1	1	1	1
92	1	1	1	1
93	1	1	1	1
94	1	1	1	1
95	1	1	1	1
96	1	1	1	1
97	1	1	1	1
98	1	1	1	1
99	1	1	1	1
100	1	1	1	1

The Program Recommended
In recommending the instruction in pharmacy administration that is essential in the pharmaceutical curriculum one must select from a wide range of subjects in such subjects as economics, management, and law. The subjects must be selected in such a way as to provide an adequate foundation for the student in the point where the student is to be engaged in the practice of pharmacy. The subjects must be selected in such a way as to provide an adequate foundation for the student in the point where the student is to be engaged in the practice of pharmacy.

The program suggested comprises the following subjects: (1) Principles of Economics, as a foundation course, 3 semester hours; (2) Drug Marketing, 3 semester hours; (3) Pharmacy Accounting, 3 semester hours; (4) Pharmacy Management, 3 semester hours; (5) Pharmaceutical Law, 3 semester hours; (6) Business Law, 3 semester hours (as an elective).

The subject of ethical and professional relations may also be regarded as belonging in this field of instruction, but in this report it is dealt with under the heading of "Pharmacy." (See Chapter 9.)

In the following sections an effort has been made to suggest from the large amount of teaching material now available in these fields of study that which appears to have a definite relation to retail pharmacy. Because the content of some of the subjects has not been well compiled the outlines are in some cases rather detailed. These outlines are not intended as teaching outlines, although some of them may perhaps be adapted for teaching purposes.

Principles of Economics

The course in principles of economics serves as a foundation for all the courses in administration, except perhaps accounting. The objective is to acquire knowledge of economic institutions and structure and to learn the basic facts of economic society which will enable the student to understand the courses in administration. The course should be descriptive rather than statistical in character. The usual introductory college course in economics should serve the purpose, provided it is practical in outlook and not too highly theoretical and philosophical, and provided it is vitalized by much reference to the actual world of economic affairs.

In case the colleges and schools of pharmacy should decide to require two years of college education prior to admission to the professional school, they might well suggest that such preliminary education should include a substantial course in economics. It may be regarded as within the realm of general education.

The course in principles of economics should carry 3 semester hours of credit, which will require 48 hours of didactic instruction.

Drug Marketing

Marketing as used in this report includes all the activities involved in the flow of goods from the manufacturer to the retailer, excluding those activities that change the form of the goods during this time. It is a background course rather than a course dealing exclusively with the activities of drug stores. The activities of marketing from the retailer to the consumer are treated under courses on drug store management. A substantial course in the principles should be a prerequisite for the course in drug marketing.

The study of this course should provide for the student: (1) Understanding of marketing institutions and their functions under the existing economic system; and (2) information oriented primarily to the retailer that will help the pharmacist understand the policies and procedures of manufacturers and middlemen and the reasons for the existence of various types of competition, and that will thereby assist him in the formulation of management policies and operation principles in whatever branch of pharmacy or the drug trade he may engage.

The following outline suggests the character of the content for the course in drug marketing.

I. Manufacturers' methods of marketing

1. Kautskij, method of working

I. Manufacturers' methods of marketing (continued)

2. Channels of distribution available to the manufacturer: Manufacturer to consumer, to practitioner, to retailer of various types, to wholesaler, to selling or manufacturers' agents and to other middlemen.
3. Factors determining choice of channels: Width of line. Financial position. Type of product. Cost of distribution. Amount of potential and existing demand the channel can satisfy. Traditional distribution channels. Legal limitations on distribution methods. Standardization of records and internal organization. Desire to control promotional effort.

II. The wholesaler

1. Economic position of the wholesaler: Statistics (number, sales volume, costs, etc.). Economic services performed by the wholesaler.
2. Types of wholesalers: Full-line service wholesaler. Specialty (short line) service wholesaler. Cooperatively owned wholesaler. Functional middlemen, as selling and manufacturers' agents and brokers and commission merchants.
3. Classification of wholesalers by trades. Professional supply houses. Others.

III. The retailer

1. Economic position of the retailer: Statistics (number, sales volume, average sales, etc.). Economic services rendered; importance to society.
2. Independent retailer: Importance (statistical) and trends. U. S. Census and other classifications. Economic advantages and disadvantages. Types.
3. Other types of retailers: Professional outlets, as hospitals, clinics, and practitioners. Established non-drug store retail outlets, as grocery, department, and variety stores. Employer to employee.

IV. Functions of marketing

1. Buying. 2. Selling. 3. Transportation. 4. Storage.
5. Financing. 6. Risk bearing. 7. Market information.

V. Distribution policies

1. Product policies: Classes of merchandise. Breadth of line. Quality.
2. Brand and identification policies: Reasons for branding; for not branding. Types of brands. Legal status.
3. Pricing and discount policies: Determination of price. Pricing theories. List prices; discounts from list; other forms of discount. Cut prices. Legal aspects, as fair trade laws, Robinson-Patman Act, anti-trust laws, and miscellaneous legislation.

I. Manufacturers' methods of marketing (continued)

2. Channels of distribution available to the manufacturer; known factors to consider, to permit selection of various types of wholesaler, to selling or manufacturing agents and to other middlemen.
3. Factors determining choice of channels: Width of line, financial position, Type of product, Cost of distribution, Demand of potential and existing demand the channel can satisfy, Trade, regional distribution channels, Legal limitations on distribution methods, Standardization of records and internal organization, Desire to control promotional effort.

II. The wholesaler

1. Economic position of the wholesaler; Statistics (number, sales volume, costs, etc.). Economic services performed by the wholesaler.
2. Types of wholesalers: Full-line service wholesaler, Specialty (part line) service wholesaler, Cooperatively owned wholesaler, Functional middlemen, as selling and manufacturing agents and brokers and commission merchants.
3. Classification of wholesalers by function, professional supply houses, Others.

III. The retailer

1. Economic position of the retailer; Statistics (number, sales volume, average sales, etc.). Economic services rendered; importance to society.
2. Independent retailers: Importance (statistical) and trends, U.S. Census and other classifications, Economic advantages and disadvantages, Types.
3. Other types of retailers: Professional outlets, as hospitals, clinics, and practitioners, Established non-retail stores, such as variety stores, department, and variety stores, Bookstores, to employees.

IV. Functions of marketing

1. Buying, 2. Selling, 3. Transportation, 4. Storage, 5. Financing, 6. Risk bearing, 7. Market information.

V. Distribution policies

1. Product policies: Division of responsibilities, Transfer of line, Quality.
2. Brand and identification policies: Reasons for branding, for and branding, Types of brands, Local status.
3. Pricing and discount policies: Determination of prices, Pricing policies, List prices, discounts from list, other forms of discounts, Out prices, Local agents, as sales agents, commission, Retailer Aut, anti-trust laws, and miscellaneous legislation.

V. Distribution policies (continued)

5. Credit policies
6. Service policies: Delivery. Promotional aids, such as demonstrators and display material. Employee training aids. Formal information services. Financing aids.
7. Advertising and sales promotion policies: Window and interior display. Other forms of pharmacy advertising. Advertising to physicians and other professional persons.
8. Product liability
9. Other policies

VI. Marketing costs and efficiency

1. Marketing cost data
2. Trends and their explanation
3. Measures of efficiency

The course in drug marketing should carry 3 semester hours of credit, which would require 48 hours of didactic instruction.

The only available textbook in drug marketing is Marketing Drug Products by Paul C. Olsen (Rutgers University Press, 1948). It contains a good background of reasoning. The book deals also with pharmacy management.

Pharmacy Accounting

This course is a study of the financial records required for the successful conduct of a retail pharmacy. It covers the work of collecting, recording, summarizing, and presenting the information which shows the financial condition and the success of the operations. It is a course in the usual forms of financial records, including statements of income and expense, assets and liabilities, and credit systems.

In operating any kind of establishment that involves money and goods it is necessary to keep records of transactions. Such records are essential to determine current operating results and the financial history, as well as a basis for guiding and controlling future operations, including: determining profits and losses, knowing the financial standing of the business, judging the efficiency of practices, clearing up disputes with customers or creditors, preparing tax returns, and for numerous other purposes. It is necessary, therefore, that one who operates a pharmacy shall understand the purposes and practices of accounting. He may not do the actual accounting work himself, but he must have sufficient familiarity with it so he is not dependent upon his accountant to interpret the facts recorded, their accuracy, or their significance. Only through maintaining and using an adequate system of records can the manager of a pharmacy be sure that he knows the status of his financial affairs.

A study of the causes of failure of 30 pharmacies reported by the National Retail Drug Store Survey in 1932 showed inadequate accounting as a major cause of failure. The report said:

"The large number of casualties among retail stores emphasizes the common knowledge that too much business is conducted on guesses and estimates. What records were used in the drug stores discussed in this report would not have revealed at any time the true status of the business or reflected the real results for a period of operation. Only 2 of the 30 failed druggists had ever attempted

to prepare statements of profit and loss and balance sheets from the accounting records maintained in their business. Three kept no records whatsoever; the others had only notebook ledgers in which they recorded merely purchases and sales. Most of the failed druggists, for many months on the road to ruin, were not aware of their ultimate failure until it arrived.

"Any business, regardless of size or complexity, should know its degree of success or failure. Records alone will show when costs are excessive, when working capital is depleted, and when too much is invested in merchandise and equipment." 1/

The objective of the course in pharmacy accounting is for the student to learn to keep and understand records that will furnish orderly and accurate figures relating to the operation of a pharmacy.

The content of the course in pharmacy accounting may be organized in a number of ways that are acceptable for teaching. The instructor should follow the one for which he is best prepared. The following outline may prove useful, at least by way of suggesting the character of the content.

I. General principles

1. Business funds vs. owners' personal funds
2. Legal compulsion to keep financial records
3. Other reasons for keeping records
4. General business practices as the foundation for record keeping
5. Goals of accounting. Store figures. Department figures.

II. The balance sheet

1. Purpose 2. Elements 3. Form

III. Income and expense statement

1. Purpose 2. Elements 3. Form

IV. The account

1. Function 2. Form 3. Entries 4. Ledger 5. Names

V. Principles of the general journal

VI. Posting: General, customers, and other special ledgers

VII. Adjustments

1. Inventory 2. Accrued expenses 3. Mixed accounts

VIII. Closing entries

IX. Profit and loss, and balance sheet statements

X. The work sheet

XI. Subsidiary records

- | | | |
|------------------|------------------------|--------------|
| 1. Bank | 3. Petty cash | 5. Budgeting |
| 2. Cash register | 4. Accounts receivable | 6. Others |

1/ Causes of Failure Among Drug Stores. U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce, Domestic Commerce Series, No. 59. (Washington, D. C., U. S. Government Printing Office, 1932), p. 9.

to prepare statements of profit and loss and balance sheets from the accounting records maintained in their business. These kept no records whatever of the assets and only noted the ledger in which they recorded merely purchases and sales. Most of the failed druggists, for many months on the road to the west, were not aware of their ultimate failure until it arrived.

Any business, regardless of size or complexity, should know its balance sheet. Records alone will show when assets are excessive, when working capital is depleted, and when too much is invested in merchandise and equipment. I.

The objective of the course in pharmacy accounting is for the student to learn to know and understand records that will furnish orderly and accurate figures relating to the operation of a pharmacy.

The content of the course in pharmacy accounting may be organized in a way that is most profitable for teaching. The instructor should follow the plan which he is best prepared. The following outline may prove useful, least by way of suggesting the character of the content.

I. General principles

1. Business theory vs. owner's personal funds
2. Legal consideration in keeping financial records
3. Other reasons for keeping records
4. General business principles as the foundation for record keeping
5. Goals of accounting, Store figures, Department figures

II. The balance sheet

1. Purpose of balance sheet

III. Income and expense statements

1. Purpose of income statement

IV. The account

1. Definition of an account, ledger, journal

V. Principles of the general journal

1. Definition: General, customers, and other special ledgers

VII. Adjustments

1. Inventory, accrued expenses, mixed accounts

VIII. Closing entries

1. Profit and loss, and balance sheet statements

X. The work sheet

XI. Subsidiary records

- | | | |
|------------------------|---------------------|--------------|
| 1. Cash register | 2. Petty cash | 3. Inventory |
| 4. Accounts receivable | 5. Accounts payable | 6. Other |

XII. Special journals

1. Principle
2. Number and names
3. Columnar arrangement
4. Posting rules
5. Customer ledger (control of credit sales).

XIII. Departmentizing the records

1. Reasons for departmentizing
2. Methods of record keeping to bring about departmentizing.
Adaptation of methods to type and size of store.

XIV. Interpretation of financial statements

1. Operating percentages
2. Ratios

Discussions of income tax, liabilities and problems are included in some courses of accounting. It seems inadvisable to include this topic in the course because of the difficulties it presents and because of the extensive amount of time that would be required to cover the subject sufficiently to assure competence on the part of the student in dealing with income tax matters.

The course in pharmacy accounting should carry 3 semester hours of credit.

The only textbook that is specifically on the course is Drug Store Accounting, by J. Brooks Heckert and William E. Dickerson (McGraw-Hill Book Co., 1943). It is widely used. In a detailed example it presents a specific set of book-keeping books which may be difficult for beginners to understand. The book also contains descriptions of some drug store business practices.

The Accounting and Record System for the Retail Drug Store is published by Eli Lilly and Company. This columnar record book is supplied, without charge, to colleges of pharmacy which wish to use it in teaching accounting to pharmacy students. Lesson sheets covering actual transactions in a pharmacy for a calendar year and a teacher's manual are also supplied. Sufficient directions are included in the book to make it serve as a textbook.

Any textbook that is used will require considerable supplementing by the instructor.

Pharmacy Management

Management comprises those activities that relate primarily to organizing, planning, and controlling a business enterprise -- in this particular instance a pharmacy or drug store. As used in this report it relates to the activities of marketing from retailer to consumer.

The need for including instruction in management in the pharmaceutical curriculum is patent to anyone who will consider the problems involved in maintaining and operating a pharmacy. The following statement from the report of the National Retail Drug Store Survey (1932), referring to the causes of failure among drug stores, states the case well:

"Through analysis of the locations these stores occupied, it was found that one-third of them had chosen sites where drug stores had previously failed. Most of the owners had training in drug stores, but were so lacking in business ability that success in their undertaking could hardly be expected

"Large bad-debt losses on credit sales, no doubt, had an adverse effect on those stores which sold for credit. The average overhead was extremely high and out of proportion to sales. This report reveals that many of the fundamentals of successful merchandising were violated by the merchants who failed

1. Principles of Accounting
2. Posting rules
3. Customer ledger (control of credit sales)
4. Inventory ledger
5. Sales ledger
6. Purchase ledger
7. Cash ledger
8. Bank ledger
9. Dividend ledger
10. Other special journals

XIII. Departmental Accounting

1. Reasons for departmental accounting
2. Methods of record keeping to bring about departmental accounting
3. Allocation of methods to type and size of store

XIV. Interpretation of Financial Statements

1. Operating performance
2. Liquidity
3. Solvency
4. Profitability

Interpretation of financial statements is a difficult task. It is not only a matter of understanding the facts, but also of understanding the reasons behind them. The student should be able to interpret the financial statements of a business and to draw conclusions from them. This is a task that requires a good knowledge of accounting and a good understanding of the business in which the statements are prepared.

The course in financial accounting should carry 3 semester hours of credit.

The only textbook that is specifically on the course is *Financial Accounting* by E. S. Brown, Jr. and William E. Brown, Jr. (McGraw-Hill Book Co., 1955). It is a fairly good book, but it is not as good as some of the other books on the market. The book is also a bit out of date, and it does not cover all the topics that are included in the course.

The *Accounting and Finance* book for the Retail Store is published by the National Retail Store Survey (NRS). This book is a good one, but it is not as good as some of the other books on the market. The book is also a bit out of date, and it does not cover all the topics that are included in the course.

Any textbook that is used will require considerable supplementing by the instructor.

Financial Management

Management comprises those activities that relate primarily to organizing, planning, and controlling a business enterprise. In this particular instance, the management of a retail store is being discussed. The management of a retail store is a complex task that requires a good knowledge of accounting and a good understanding of the business in which the store is operating.

The need for financial management in the management of a business is a well-known fact. It is a fact that is often overlooked by many business owners. The management of a business is a complex task that requires a good knowledge of accounting and a good understanding of the business in which the store is operating.

Although the management of a business is a complex task, it is not an insurmountable one. It is a task that can be learned and mastered by anyone who is willing to put in the time and effort. The management of a business is a complex task that requires a good knowledge of accounting and a good understanding of the business in which the store is operating.

Many business owners have found that the management of a business is a complex task that requires a good knowledge of accounting and a good understanding of the business in which the store is operating. The management of a business is a complex task that requires a good knowledge of accounting and a good understanding of the business in which the store is operating.

"The average rent paid for the failed stores was 10.6 percent of net sales, whereas 40 active drug stores were paying only 4.7 percent of net sales for rent. Twenty of the druggists who failed supplied less than 30 percent of their capital at the inception of the business. Capital was acquired at such high rates that in most instances the volume of sales was not sufficient to carry more than their commitments." 1/

Such statements suggest that drug stores fail largely because of poor management and the lack of understanding of its elementary principles on the part of the proprietors and managers.

Through a study of this course the student should obtain familiarity with the basic principles underlying the successful and orderly operation of a drug store.

A course in the principles in economics should be a prerequisite for one in pharmacy management. The content for instruction in pharmacy management can be organized in several ways. The outline suggested here begins with a person legally qualified to operate a pharmacy and follows logically the acquisition of a pharmacy, placing it in operation, and maintaining it.

I. Statistical view of the drug store

Current national, state, and local statistics of interest to pharmacists. (Some of these statistics belong also under appropriate subjects which follow.)

II. Selecting a location (factors to be considered)

1. Determination of type of pharmacy to be operated: Professional, commercial, special.
2. Determination of type of locality desired: Small town, large city, central or neighborhood business section, outlying drive-in location.
3. Selection of specific site: Amount and type of competition. Analysis of other businesses. Purchasing power of traffic or community. Kind of traffic. Industries supporting the community. Number of physicians with offices near-by. Size of pharmacy in relation to anticipated volume of business. Physical condition of property. Advertising media and cost.

III. Types of proprietorship

1. Sole ownership 2. Partnership 3. Corporation 4. Others

IV. Naming the establishment

1. Legal aspects 2. Business aspects 3. Types: Personal. Fanciful. Geographic.

V. Financing the establishment.

1. Opening 2. Operating

VI. Acquiring premises

1. By lease: Types of tenancies. Typical lease terms. Percentage leases. (Such items as appraising rental space, amount of rental

1/ Causes of Failure Among Drug Stores. U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce, Domestic Commerce Series No. 59. (Washington, U. S. Government Printing Office, 1932) p.1.

"The average rent paid for the failed stores was 10.6 percent of net sales whereas 10 active drug stores were paying only 4.7 percent of net sales for rent. Twenty of the drugists who failed applied from 1928 to 1930 and 30 percent of their capital at the inception of the business. Capital was expended at such high rates that in most instances the volume of sales was not sufficient to carry more than their commitments."

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I. Statistical view of the drug store

Current national, state, and local statistics of interest to pharmacists. (Some of these statistics being also under appropriate subjects which follow.)

II. Locating a location (Factors to be considered)

1. Determination of type of pharmacy to be operated: Dispensary, community, hospital.
2. Determination of type of locality desired: Small town, large city, center of neighborhood business section, existing drive-in location.
3. Selection of specific sites: Amount and type of competition, Analysis of other businesses, Purchasing power of traffic on community, Number of families, Industries supporting the community, Number of physicians with offices nearby, Ease of pharmacy in relation to other related volume of business, Physical condition of property, Adequacy of water and sewer.

III. Types of pharmacies

1. Sole ownership
2. Partnership
3. Corporation
4. Other

IV. Finding the establishment

1. Legal aspects
2. Business aspects
3. Types: Personal, hospital, neighborhood

V. Financing the establishment

1. Creating a corporation

VI. Acquiring premises

1. Types of premises: Types of premises, Typical lease terms, Types of lease, (Such items as existing rental space, amount of capital)

Causes of Failure Among Drug Stores, U. S. Department of Commerce, Bureau of Census and Economic Warfare, Commerce Census No. 10, Washington, U. S. Government Printing Office, 1937, p. 1.

VI. Acquiring premises (continued)

- for a given volume of business, costs of leasehold improvements, inclusion of heat and water, length of lease.)
2. By purchase.
3. Need for consulting license and permit issuing authorities before leasing or purchasing.

VII. Layout principles

1. Classification of goods and services as to customer demand: Impulse, staple, fixed.
2. Customer traffic
3. Customer convenience
4. Personnel convenience
5. Special situations

VIII. Fixtures and equipment

1. Financing
2. Legal aspect
3. Architectural considerations

IX. Buying a drug store

1. Determination of the value: Evaluation of assets methods. Capitalization of earnings method. Projected operating statement method.
2. Reasons why pharmacies may be overevaluated (as examples): Inflated profit owing to failure of owner-worker to draw sufficient salary. Failure of business to charge rent for building owned by pharmacy proprietor. Failure to depreciate stock and capital equipment adequately. Over-evaluation of good will and prescription files. Failure to analyze the type and origin of good will. Other errors of evaluation.
3. Legal aspects

X. Selecting and acquiring the merchandise stock.

1. Initial stock
2. Sources of supply
3. Principles of purchasing: Selection of stock to be carried. Selection of sources of supply. Ideal quantity to be purchased. Terms of purchase. Buying merchandise rather than discounts. Relation to turnover.

XI. Receiving, marking, and arranging the stock

1. Routines for receiving and checking
2. Code marking, systems
3. Principles of shelf arrangement of stock

XII. Pricing

1. Components of the price: Merchandise. Prescriptions.
2. Markup and markdown procedures
3. Resale price agreements and laws

XIII. Personnel

1. Number and classification of employees
2. Standards for selection
3. Methods of selection
4. Employment contract

VI. Acquiring premises (continued)

1. For a given volume of business, costs of lessor's improvements, location of heat and water, length of lease.
2. By purchase.
3. Rent for consulting license and permit having authority to lease or purchase.

VII. Layout principles

1. Classification of goods and services as to customer demand, type, style, time.
2. Customer traffic.
3. Customer convenience.
4. Inventory convenience.
5. Special situations.

VIII. Fixtures and equipment

1. Fixtures, 2. Equipment, 3. Architectural considerations.

IX. Buying a new store

1. Investigation of the value: Evaluation of assets methods, Capitalization of earnings method, Projected operating statement method.
2. Reasons why premises may be overvalued (as examples): In-adequate profit owing to failure of owner-manager to draw sufficient salary; Failure of business to charge rent for building owned by highest proprietor; Failure to depreciate stock and capital equipment adequately; Over-evaluation of good will and patronage; Other. Failure to analyze the type and output of good will. Other areas of evaluation.
3. Local sources.

X. Selecting and acquiring the merchandise stock

1. Initial stock.
2. Sources of supply.
3. Principles of merchandising: Selection of stock to be carried; Selection of sources of supply; Ideal quantity to be purchased; Terms of purchase; Buying merchandise rather than discounts; Relation to turnover.

XI. Receiving, sorting, and arranging the stock

1. Routine for receiving and checking.
2. Code marking systems.
3. Principles of stock arrangement of stock.

XII. Pricing

1. Components of the total merchandise price.
2. Markup and markdown practices.
3. Basic price agreements and laws.

XIII. Personnel

1. Number and classification of employees.
2. Standards for selection.
3. Methods of selection.
4. Employee contract.

XIII. Personnel (continued)

5. Training and store rules
6. Assignment of duties
7. Supervision
8. Evaluation of service
9. Remuneration forms
10. Relations with trade and professional unions, and other forms of collective bargaining.
11. Personnel problems: Individual. Collective.

XIV. Insurance

1. Principles
2. Advisability of adequate coverage
3. Types required and needed by the pharmacist

XV. Competition

1. Competition in a capitalistic economy
2. Inside competition: Brand competition. Use competition. Inter-department competition.
3. Outside competition: Other pharmacies. Competition for certain pharmacy departments (examples - economic dispensing by practitioners vs. professional dispensing; stationery store or shop). Economic competition for the consumer's dollar.
4. Meeting competition

XVI. Personal selling

XVII. Operating costs

1. Need for adequate knowledge
2. Current and comparative figures and averages: Sources of information. Interpreting and evaluating percentage figures.
3. Use of ratios as management guides.

XVIII. Budgeting

1. Purchases 2. Sales 3. Expenses 4. Financial

XIX. Stock control

1. As an aid to management
2. Types: Departmentization. Inventory (Fiscal and perpetual. Advisability of perpetual inventory for high prices and legally controlled items only.) Budget

XX. Agency and voluntary chain membership

1. Competition, semi-monopoly, profit, and other factors as influencing choice.
2. Personal factors

XXI. Own-labor merchandise

1. Reasons for creating own-label merchandise: Exercise of professionalism and pharmacy prerogative. A method of demand control. Availability of margin usually going to manufacturer, middleman, and retailer.
2. Problems: Technical manufacturing problems. Governmental regulation. Product liability.

XIII. Personnel (continued)

1. Training and indoctrination
2. Assignment of duties
3. Supervision
4. Evaluation of service
5. Remuneration forms
6. Relations with trade and professional unions, and other forms of collective bargaining
7. Personnel problems: individual, collective

XIV. Insurance

1. Principles
2. Adequacy of adequate coverage
3. Types needed and needed by the pharmacist

XV. Competition

1. Competition in a capitalist economy
2. Inside competition: brand competition, use competition, inter-brand competition
3. Outside competition: other pharmacies, competition for certain pharmacy departments (examples - economic dispensing by mail-order vs. conventional dispensing; stationary store vs. shop)
4. Economic competition for the consumer's dollar
5. Marketing competition

XVI. Personnel welfare

XVII. Operating costs

1. Need for adequate knowledge
2. Current and comparative figures and averages; sources of information
3. Investigating and evaluating percentage figures
4. Use of ratios as management guides

XVIII. Budgeting

1. Purchases 2. Sales 3. Expenses 4. Financial

XIX. Stock control

1. As an aid to management
2. Types: Perpetual inventory, inventory (fixed and perpetual)
3. Adequacy of personnel inventory for high prices and legally controlled items only; Budget

XX. Agency and voluntary chain membership

1. Competition, semi-monopoly, profit, and other factors as influences
2. Personal factors

XXI. Over-the-counter merchandise

1. Reasons for creating over-the-counter merchandise: Expansion of product line and pharmacy service, A method of demand control, Availability of margin usually going to manufacturer, wholesaler, and retailer
2. Problems: Technical merchandising problems, Governmental regulation, Product liability

XXII. Other store policies

1. Hours and days of operation
2. Services and free services
3. Complaints and adjustments
4. Credit and collection
5. Promotion policies and standards
6. Rules intended to prevent dishonest practices
7. Markdown sales

The course in pharmacy management policies should carry 3 semester hours of credit; it will require 48 clock hours of time for didactic instruction.

A widely used textbook is Drug Store Management by Herman C. Nolen and Harold H. Maynard (McGraw-Hill Book Company, Inc., 1941). This easily read book emphasizes the trade point of view. Marketing Drug Products by Paul C. Olsen, although following the marketing approach, deals with management also.

Pharmaceutical Law

Pharmaceutical law deals with laws, regulations, and court decisions of a federal, state, and local nature which concern or control the professional and closely related activities of a retail pharmacy. In large part, pharmaceutical law is criminal law, generally referred to as regulatory law; it contains some principles of tort law. As here defined, pharmaceutical law excludes business law. Pharmaceutical law particularly applicable to persons other than retail pharmacists engaged in drug handling activities, if desired, should be considered in elective or graduate courses.

The objective of this course is to acquire the knowledge which will enable the pharmacist to conduct his professional and related activities legally and without needless risk.

The materials for a course in pharmaceutical law are drawn from many sources—federal, state, and local. There is no particular difficulty with the federal law, but so great is the diversity of state legislation that it cannot be placed in a general outline. It is believed, however, that under the following topics the major aspects of pharmaceutical law can be well covered. Constant reference needs to be made to state and local requirements in the vicinity or area served by the graduates of a particular college or school of pharmacy.

I. Power of federal, state, and local governments to control the practice of pharmacy

1. Federal government: Granted constitutional powers through which the federal government is empowered to control professional matters at the local retail level (Taxation; interstate commerce and recent expansion of the definition; postal; Indian matters; national defense.) No general police power (older views; recent views).
2. State government: Police power an inherent power, definition.
3. Local government: Limited power. Divisions.

II. Administrative bodies

1. Need for, and types
2. Position in the governmental structure
3. Types of authority

III. State board of pharmacy

1. Titles
2. Purpose and functions
3. Source and limits of authority

IV. Legal classification of pharmacy personnel

1. Pharmacists and/or druggists
2. Assistant pharmacists
3. Apprentices
4. Registered pharmacy college students
5. Others: Managers. Corporations. Nonpharmacists

V. The registered pharmacist

1. Privileges granted by registration
2. Prerequisites for registration
3. Reciprocity
4. Reregistration
5. Miscellaneous provisions

VI. The assistant

1. Existence of this class in some states
2. Privileges granted by registration
3. Prerequisites to registration
4. Reregistration
5. Miscellaneous provisions

VII. Health Regulations

VIII. Legal controls of employee relations:

1. Minimum wage laws
2. Maximum hour laws
3. Child labor laws
4. Labor relations laws
5. Others

IX. Licensing the pharmacy

1. Types of licenses and permits; issuing authorities
2. Conditions for obtaining licenses and permits
3. Provisions of licenses and permits

X. Federal, state, and local narcotic laws and regulations (The suggested form of treating this topic is to consider the Harrison Narcotic Act and to point out the state and local additional provisions of law. The additions should be identified as such.)

1. Definition of narcotic
2. Method of controlling handlers of narcotics
3. Acquiring narcotics
4. Disposition of narcotics by prescription: Legal requirements of prescription. Legal requirements of label. Records and miscellaneous provisions.
5. Exempt narcotic preparations: License. manufacture. Buying. Disposition. Records. miscellaneous provisions.
6. Other legal methods of disposing of narcotics (special list).
7. Miscellaneous narcotic provisions

XI. Federal, state, and local marijuana (cannabis) laws. Only brief mention need be made of this legislation for it has little application to practical pharmacy.

IV. 1.2. Classification of pharmacy personnel

1. Pharmacist and pharmacy assistants
2. Assistant pharmacist
3. Pharmacist
4. Registered pharmacy college students
5. Others: sales, etc. Corporation, nonpharmacist

V. The regulated personnel:

1. Privileges granted by registration
2. Responsibilities for regulation
3. Responsibility
4. Registration
5. Miscellaneous provisions

VI. The regulations

1. Existence of this class in each state
2. Privileges granted by registration
3. Responsibilities for regulation
4. Registration
5. Miscellaneous provisions

VII. Public regulations

VIII. Local controls of employee relations:

1. Minimum wage laws
2. Maximum hour laws
3. Child labor laws
4. Labor relations laws
5. Others

IX. Administering the pharmacy

1. Types of licenses and permits; issuing authorities
2. Conditions for obtaining licenses and permits
3. Renewal of licenses and permits

X. Federal, state, and local narcotic laws and regulations (The suggested form of regulation in this topic is to consider the Harrison Narcotics Act and to point out the state and local additional provisions of law. The additions should be suggested as such.)

1. Definition of narcotic
2. Method of controlling handling of narcotic
3. Issuing authorities
4. Dispensing of narcotic by prescription; local regulations of prescription; local requirements of label, records and miscellaneous provisions
5. Export narcotic provisions; license, certificate, buying, disposition, permits, miscellaneous provisions
6. Other local methods of disposing of narcotic (Special list)
7. Miscellaneous provisions

XI. Federal, state, and local anti-drug (narcotic) laws. Only state mention need be made of this regulation for it has little application to medical pharmacy.

- XII. Federal, state, and local food, drug, cosmetic, and devices laws
1. Federal food, drug, and cosmetic act (only parts applicable to retail pharmacy): Purpose and function. Methods of control. Label and labeling requirements. Current definition of interstate commerce. Federal law and retail pharmacy sales. Recent basic court decisions. Guarantee. Miscellaneous provisions.
 2. Wheeler-Lea Act supplementing the federal food, drug, and cosmetic act.
 3. State food, drug, and cosmetic laws
 4. State laws concerning devices, such as hypodermic syringes and needles, sutures, and sickroom supplies.
- XIII. Laws concerning poisons
1. Legal definitions of poisons
 2. Sales restrictions and records
 3. Federal and state insecticide, fungicide, and rodenticide laws
- XIV. Laws concerning caustics and corrosives
1. Legal definitions
 2. Label requirements
- XV. Laws concerning viruses, serums, and toxins
1. Definitions
 2. Licenses
 3. Labels
 4. Storage
 5. Sales
 6. Miscellaneous provisions
- XVI. Laws concerning barbiturates
- XVII. Laws concerning patent and proprietary medicines. Legal authority to merchants to handle.
- XVIII. Laws concerning alcohol and alcoholic products
1. Alcohol in manufacturing and in compounding prescriptions: Federal alcohol tax. Drawback provisions.
 2. Denatured alcohol
 3. Malt, vinous, and distilled preparations
- XIX. Laws concerning weights and measures
- XX. Counter prescribing
1. Definition
 2. Legal status
 3. Ethical considerations
- XXI. Criminal and tort laws concerning prescription compounding
1. Definition of a prescription -- the paper
 2. Degree of skill required of the pharmacist by law
 3. Degree of care in compounding required by law
 4. Types of errors
 5. Right to refuse to compound
 6. Labeling
 7. Record keeping
 8. Miscellaneous provisions

XXII. Other laws concerning the prescription

1. Property rights
2. As evidence

XXIII. Miscellaneous, regulatory, and criminal laws concerning the acquisition, disposition, labeling, recording, and reporting of drug store items.

XXIV. Miscellaneous potential liabilities in tort

1. To persons on the premises
2. For errors in selling and services
3. Shoplifting and false arrest
4. For sales to minors and incompetents
5. Protection by insurance (Details to be taught in the course on pharmacy management)

The course should carry 3 semester hours of credit, which will require 48 clock hours of didactic instruction.

The textbook which attempts to deal with the entire subject of pharmaceutical law from the point of view of court decisions and federal and uniform statutes, is The Law of Drugs and Druggists by William R. Arthur (West Publishing Co., 1947, 3rd ed.). This book represents a good beginning. Its usefulness is somewhat limited by the fact that the student alone can do little with the material because of the legal language used. It should be said, however, that the book contains a good glossary of legal terms. The treatment of a topic in the book is restricted largely to excerpts from statutes and decisions without sufficient connective material. The book is a good aid to the instructor, but it leaves much to be desired from the point of view of the student.

In spite of these shortcomings the book is very useful by way of bringing together for reading reference much of the basic material that is required for a course in pharmaceutical law. It needs to be supplemented with much original source material such as state and federal laws, regulations, and court decisions.

A briefer and now partly outdated textbook is A Manual on Pharmaceutical Law, by C. Leonard O'Connell and William Pettit (Lea & Febiger, 1938).

Business Law

A course that would prove highly useful to a retail pharmacist is one in business law. Such a course should be offered to pharmacy students, but its priority is not as high as that of the courses previously outlined.

Inasmuch as the business aspect of operating a pharmacy is largely based upon agreements and contracts -- oral, written, and implied -- it is desirable that the retail pharmacist should understand the principles of the laws under which he has to operate. This would entail a study of the statutory law, the common law, and court decisions. The field of business law is largely based upon the law of contracts, and therefore, the law of contracts should have a place of major importance in the course. It should be followed by such specialized phases and aspects of business law as agency law and sales law.

1. Property rights
2. As evidence

1. Association, regulatory, and criminal law concerning the profession, litigation, arbitration, insurance, accounting, and reporting of trust assets.

1. Miscellaneous potential liabilities in tort

1. To persons in the profession
2. To persons in relation to the profession
3. To persons in relation to the profession
4. To persons in relation to the profession
5. To persons in relation to the profession
6. To persons in relation to the profession
7. To persons in relation to the profession
8. To persons in relation to the profession
9. To persons in relation to the profession
10. To persons in relation to the profession

The course would carry 3 units of credit, which will require 12 clock hours of studio instruction.

The textbook chosen attempts to deal with the entire subject of professional liability from the point of view of contract, tort, and insurance. It is written by a group of authors who are well known in the field. The book is written in a clear, concise, and readable style. It is a good book for the student who is interested in the subject of professional liability. The book is written in a clear, concise, and readable style. It is a good book for the student who is interested in the subject of professional liability.

In spite of these shortcomings the book is very useful by way of being. It is a good book for the student who is interested in the subject of professional liability. It is a good book for the student who is interested in the subject of professional liability.

A student who has previously studied the book is a student who has previously studied the book. A student who has previously studied the book is a student who has previously studied the book.

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Research on the business aspects of accounting practice is largely based on the business and corporate -- civil, criminal, and family -- law. The research is largely based on the business and corporate -- civil, criminal, and family -- law. The research is largely based on the business and corporate -- civil, criminal, and family -- law.

Among the additional topics that might well be included are: law of negotiable instruments; phases of real estate and mortgage law; and laws of patents, copyrights, and trademarks. Certain other topics based on contracts are discussed in conjunction with the business aspects of certain topics in the courses in pharmacy management, as for example, leases, fixtures, and firm names.

Another phase of business law concerns torts. It considers the rights of individuals arising from the wrongful acts of other. The principles of this phase of business law may be discussed in this course. Tort obligations concerning the professional activities of a pharmacy are logically taught in the course in pharmaceutical law, and other tort obligations are naturally taught in connection with topics in pharmacy management, as for example, insurance.

Criminal law is not covered in business law as generally taught, but questions of criminal law applicable to pharmacy operations constitute the major portion of the course in pharmaceutical law.

Teachers of Pharmacy Administration

The weakest aspect of the teaching of pharmacy administration in colleges and schools of pharmacy is in the teaching personnel. The courses are more frequently taught by science instructors than by persons trained in business or law. A recent statement characterizes the situation:

"In very few schools will you find a department or a segregation of business courses, instead business courses are relegated to part-time activity of some science instructors, and frequently with the onus of 'dirty work' that beginners have to do until it can be transferred to the next new man. In short, the business course falls to the level of the untrained instructor rather than acquiring the rightful dignity of a college grade course." ^{1/}

The statement refers to the teaching of pharmacy administration as "the poorest and most degraded instruction, usually from teachers whose interest lies elsewhere or who are but one step advanced above student status."

Continuing, the statement says:

"Such observations, and many others, lead to the recommendation that schools and colleges of pharmacy should create a separate division of study for the business subjects; a full time trained instructor should have charge of the subjects and should be given such recognition in salary and title as his accomplishments warrant. Business courses should be given by instructors who are more than 'one lecture ahead of the class.' A long term plan for such schools as have current financial worries could be to employ a graduated pharmacy student who is allowed and required to study either law or business, or the process may be reversed by employing a law or business graduate, although the former plan is probably the better system.

"More full time business teachers with both a pharmacy and either a business or a law training could perform a great service for pharmacy and pharmacy schools. Under their guidance schools could eliminate the 'play courses' now offered as business instruction. Unproductive hours of show card writing and unnatural 'sales demonstrations' would be replaced by informative lectures of

^{1/} J. H. Goodness, Post War Plans for Courses in Pharmaceutical Economics in Colleges of Pharmacy. American Journal of Pharmaceutical Education, Vol. 9, pp. 42 - 47 (January 1945)

solutions to problems that harass all druggists. Unbiased statistics concerning retail pharmacy would be gathered. Textbooks on business methods would multiply. Druggists would recapture the pharmacist's art in own-labeled products of high quality, and properly label them to comply with laws that today frighten even the most scientifically trained apothecary from such ventures. Their contributions to state pharmaceutical association meetings would be mutually beneficial to the school and the association, as it is the business teachers, who better than any other pharmacy school instructor, can know the state of current drug store practice. These and many other benefits can flow from a full functioning business department in schools and colleges of pharmacy."

Instructors in pharmacy administration may come from three fields -- pharmacy, business administration, and law. A background in pharmacy is very useful indeed, but adequate preparation in administration or law or both, depending on which the instructor teaches, is absolutely essential. One whose basic training has been in administration or in law should be able, without undue difficulty, to acquire the necessary background of understanding and appreciation of the ethics, public health responsibilities, and the scientific aspects of pharmacy if he makes such understanding and appreciation a definite objective and devotes time to it. One whose basic training has been in pharmacy, if he plans to teach pharmacy administration or pharmaceutical law, should prepare himself for it through adequate study of administration or law, preferably to the point of acquiring a degree in his field of instruction. The approach to the subject should be with due regard to the fact that the practice of pharmacy is primarily a professional health service.

PRINCIPLES OF ECONOMICS
AS APPLIED TO THE PRACTICE OF PHARMACY

Dr. J. H. Goodness
Massachusetts College of Pharmacy

PRINCIPLES OF PHARMACOLOGY
AS APPLIED TO THE PRACTICE OF PHARMACY

By J. H. Goodness
Massachusetts College of Pharmacy

BUSINESS ORGANIZATIONS (PROPRIETORSHIPS)

Business elements:

1. Men--Owner and/or employees and/or independent contractors
2. Machines -- Fixtures and equipment
3. Materials -- Inventory
4. Methods -- Professional, economic, business, legal, and psychological skills.
5. Money -- Cash or credit

For business success, the owner (risk-taker) must exercise business skill, which means he must put the above elements together:

1. in efficient amounts
2. at the correct rate
3. in proper sequence
4. at the right time
5. at the proper place

Business success means that society is served and a profit is created.

Most common forms of business organizations (ownership).

1. Sole ownership
2. Corporation
3. Partnership

Sole Ownership

Generally, for retail pharmacy, when one person assembles all the business elements, he is capable of and holds sole control of the business. The business organization is most generally a sole ownership.

Nature of Sole Ownership

A sole owner

1. has full control
2. bears all the risk
3. keeps all the profit (or loss)

In law, a business owned by a sole owner (human person) is not a separate legal entity. Both the person and the business are one.

Some Problems of Sole Ownership

1. Unlimited liability
Personal or business property available to personal or business creditors
2. Human limitations
3. Limited life

Corporation

When one person is in a position to create a sole ownership, he may for the purpose of separating his personal entity (and property) from that of the business, as well as for other business reasons, form a corporation. (To conform with legal requirements this may have to be done in several steps.)

Nature of a Corporation

1. A corporation is a fund of money in business. Inanimate.
2. The corporation is an entity apart from the person who owns it.
To illustrate this separation of entities diagrammatically:

The human person
(or persons)
as stockholder

owns.....the corporation
(Entity No. 1) which owns and
runs.....the business

Business elements:

1. Man - Owner and/or employees and/or independent contractors
2. Machines - Fixtures and equipment
3. Materials - Inventory
4. Methods - Professional, economic, business, legal, and psychological skills.
5. Money - Cash or credit

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- To illustrate this separation of entities diagrammatically:

The human person
(or persons)
as stockholder

owns.....the corporation
which owns and

owns.....the business

Nature of a Corporation(continued)

3. Limited liability (limited to extent of corporate funds)
4. Deathless
5. Majority control for most matters

Some Problems of a Corporation in Retail Pharmacy

1. Professional practice (the drug business) must be in control of those who are personally responsible to a board of pharmacy.
2. Credit problems for small corporations and for corporations starting a business.

Partnerships

When one person wishing to operate a business needs another person or persons to supply the elements of business, none of which will be furnished by the other person unless he acquires some control, the divided-control form of organization will generally be:

1. a corporation
- or
2. a partnership

Nature of a Partnership

1. Not a legal entity
2. Any partner may dissolve the partnership at any time
3. Divided control -- each partner is part of the "firm" for rights
4. Unlimited liability -- each partner is liable for the entire business debt
5. Partnership agreement
6. Uniform partnership law

Some problems of a Partnership

1. Non-pharmacist partners
2. Can the business pay salaries to all partners?

(Business organizations)

- Nature of a Corporation (continued)
1. Limited liability (limited to extent of corporate funds)
2. Perpetual existence
3. Majority control for most matters

Some problems of a Corporation in Retail Pharmacy
1. Professional practice (the drug business) must be in control of those who are personally responsible to a board of pharmacy.
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Nature of a Partnership

1. Not a legal entity
2. Any partner may dissolve the partnership at any time
3. Divided control -- each partner is part of the "firm" for liability
4. Unlimited liability -- each partner is liable for the entire business debt
5. Partnership agreement
6. Uniform partnership law

Some problems of a Partnership

1. Non-partnership partners
2. Can the business pay claims to all partners?

NAMING THE PHARMACY

Some functions of a name

1. To identify the firm as an entity
2. To identify the nature of the business or businesses
3. To locate the pharmacy geographically
4. To borrow prestige
5. To advertise some feature of the firm, structure, or business
6. To identify the owner or owners
7. To indicate the type of proprietorship

Some legal limitations on business names

1. Legally established similarity or difference of the words Pharmacy, Drug Store, Apothecary, etc.
2. Limitations on the use of words such as Prescription, Drug, Pharmacy, Drug Store, Apothecary, etc.
3. Limitation on the use of "Laboratory" (F.D.C. law)
4. Use of name of a living person (other than the owner)
5. Use of name of existing business or organization
6. Use of words designating incorporation
7. Married woman's use of husband's name for her independently owned business

Some legal compulsions

1. Evidence of incorporation or other form of limited liability in name
2. True-name statutes

Business name as property

1. Name is part of good will unless otherwise specified in the purchase agreement or an involuntary sale of business
2. Law granted protection of name

Business names to be avoided for a retail pharmacy

1. Those connected with fads or current events
2. Those which do not show professional dignity
3. Those that indicate excessive familiarity
4. Those arousing prejudice

Some special problems

1. Public misunderstanding of meaning of "Professional Pharmacy" when pharmacy is located inside of a medical arts building
2. Use of the name "Medical and Drug Center" for professional center
3. Two businesses disclosed in the business name
4. Personal name as part of the business name
5. Use of former partner's name
6. Selecting names for two or more drug stores in the same community when they are owned by the same owner

1. PERSONAL NAMES

J. Jones
 J. Jones, Registered Pharmacist
 J. Jones, Pharmacist and Chemist
 J. Jones, Apothecary
 J. Jones and Son
 J. Jones and Co.
 J. Jones, Inc.

2. GEOGRAPHIC NAMES

Adams Street Pharmacy	(Street)	
Bowdoin Square Pharmacy	(Square)	
Back Bay Pharmacy	(District)	
Weston Pharmacy	(Town)	
Commonwealth Pharmacy	(State)	
Statler Pharmacy	(Hotel))
City Hall Pharmacy	(Public)
Court Pharmacy	buildings))
Bunker Hill Pharmacy	(Monument))
Echo Bridge Pharmacy	")
Harvard Pharmacy	(School))
Tech Pharmacy	")
Campus Pharmacy	")

"Landmarks"

3. FANCIFUL NAMES

Gold Medal Pharmacy
 Maple Pharmacy

Home Pharmacy)	
Homestead Pharmacy)	
Pleasant Pharmacy)	
Comfort Pharmacy	)	"Mood" names
Ideal Pharmacy)	
Peerless Pharmacy)	
Naborhood Pharmacy)	

Lincoln Pharmacy)	
Paul Revere Pharmacy	)	"Prestige" names
Longfellow Pharmacy)	
John Quincy Adams Pharmacy)	

Central Pharmacy
 Corner Pharmacy

4. COMBINATION AND MISCELLANEOUS NAMES

Jones Bowdoin Square Pharmacy	(Personal-Geographic)
Jones Rexall Drug Store	(Personal-Brand)
Jones Prescription Pharmacy	(Personal-Service)
Hospital Pharmacy of Boston	(Service-Geographic)
Professional Pharmacy	(Service)
Twin Pharmacy	
Jones Pharmacy and Optical Co.	(Personal-Two Services)

TYPES OF BUSINESS NAMES

PERSONAL NAMES

- 1. Jones
- 1. Jones, Registered Pharmacist
- 1. Jones, Pharmacist and Chemist
- 1. Jones, Apothecary
- 1. Jones and Son
- 1. Jones and Co.
- 1. Jones, Inc.

2. GEOGRAPHIC NAMES

- Alma Street Pharmacy (Street)
- Bowdoin Square Pharmacy (Square)
- Black Bay Pharmacy (District)
- Western Pharmacy (Town)
- Commonwealth Pharmacy (State)
- Starline Pharmacy (Hotel)
- City Hall Pharmacy (Public Building)
- Grant Pharmacy (Municipal)
- Harbor Hill Pharmacy (School)
- Isolo Bridge Pharmacy (School)
- Harvard Pharmacy (School)
- Each Pharmacy (School)
- London Pharmacy (School)

3. FANCIFUL NAMES

- Gill Medical Pharmacy
- Maple Pharmacy
- Home Pharmacy
- Honest Pharmacy
- Pleasant Pharmacy
- Doctor's Pharmacy
- Local Pharmacy
- Positively Pharmacy
- Neighborhood Pharmacy
- Lincoln Pharmacy
- Paul Harvey Pharmacy
- Longfellow Pharmacy
- John Quincy Adams Pharmacy

4. COMBINATION AND MISCELLANEOUS NAMES

- Jones Bowdoin Square Pharmacy (Personal-Geographic)
- Jones Rexall Drug Store (Personal-Brand)
- Jones Prescription Pharmacy (Personal-Service)
- Hospital Pharmacy of Boston (Service-Geographic)
- Professional Pharmacy (Service)
- Twin Pharmacy
- Jones Pharmacy and Optical Co. (Personal-Two Services)

ELEMENTS OF BUSINESS NAMES

(Names) 3.

Element	Purpose
1.	
Personal name and/or Geographic name and/or Fanciful name	Identifies owner Suggests location of business Suggests mood, prestige, service, etc.
2.	
"and Son" "Bros." "& Co." etc.	Indicates owners other than those specifically named
3.	
"Prescription" "Hospital" "Homeopathic" "Veterinary" etc.	Emphasizes a specialty in service
4.	
"Pharmacy" "Drug" "Drug Store" "Apothecary" "Shop" etc.	Discloses the nature of the business
5.	
"& Chemist" "and Optical" "and Camera" "and Bookstore" "& Sweet" "and Gift"	Emphasizes and advertises a side line or service other than drugs
6.	
"Company" or "Co." "Incorporated" or "Inc." "Corporation" or "Corp." "Limited" or "Ltd."	Discloses the nature of the ownership organization

ELEMENTS OF BUSINESS NAMES

Element	Purpose
<p>1. Personal name and/or Geographic name and/or Familiar name</p>	<p>Identifies owner Suggests location of business Suggests mood, prestige, service, etc.</p>
<p>2. "and Son" "Brothers" "Co." etc.</p>	<p>Indicates owners other than those specifically named</p>
<p>3. "Transmission" "Hospital" "Homophonic" "Nomenclature" etc.</p>	<p>Emphasizes a specialty in service</p>
<p>4. "Pharmacy" "Drug" "Drug Store" "Apothecary" "Shop" etc.</p>	<p>Discloses the nature of the business</p>
<p>5. "The Great" "and Optical" "and Camera" "and Bookstore" "The Sweet" "and Gift"</p>	<p>Emphasizes and describes a side line or service other than drugs</p>
<p>6. "Company" or "Co." "Incorporated" or "Inc." "Corporation" or "Corp." "Limited" or "Ltd."</p>	<p>Discloses the nature of the ownership organization</p>

A SURVEY OF BOSTON DRUG STORE NAMES

The following findings are based upon the December, 1949, Classified Telephone Directory for Boston and Vicinity listing 740 drug store names

The following were used as
part of the business name

	Number	Per Cent
Personal name	466	63. %
Geographic name	157	21.2%
Fanciful name	72	9.7%
Combination of above and miscel.	45	6.1%
"Pharmacy"	363	49. %
"Drug Co."	113	15.3%
"Drug Store"	53	7.2%
"Drug" (as "Jones Drug")	51	6.9%
"Apothecary"	10	1.4%
"Inc."	118	16. %
"Corp."	1	--
"Drug Shop"	1	--
"Shop"	1	--
"Cut Rate"	1	--
(Two businesses in one name)	1	--

Massachusetts law restricts the use of the words "Incorporated" and "Corporation", or their abbreviations, to corporations, but corporations, as well as unincorporated firms may use the name "Company", or "Co.". All corporations cannot, therefore, be detected from firm name alone in Massachusetts.

SLOGAN

A staccato phrase summarizing a message

Functions of a slogan

1. Aid to memory of drug store name
2. Advertises
3. Reminder

Long-term-use slogan requirements

1. Dignity, modesty, professionalism
2. Not a direct or indirect reflection against pharmacy or pharmacists
3. Honesty

Acceptable slogans

Boston's busiest drug store)	Superlatives encourage free advertising of the drug store
Boston's largest drug store)	
Boston's oldest drug store)	

As near as your telephone

Camera center, too

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The following findings are based upon the December, 1949, Classified Telephone Directory for Boston and vicinity listing 740 drug store names

The following were used as part of the business name

Number	Per Cent
166	63.4
127	21.2
72	9.7
12	6.1
363	19.4
173	12.3
23	7.2
27	6.9
10	1.4
118	16.1
1	—
1	—
1	—
1	—
1	—
1	—

(Two businesses in one name)

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SLOGAN

A slogan phrase summarizing a message

Functions of a slogan

1. Aid to memory of drug store name
2. Attractiveness
3. Reminder

Long-term-use slogan requirements

1. Dignity, modesty, professionalism
2. Not a direct or indirect reflection against pharmacy or pharmacists
3. Honesty

Acceptable slogans

Boston's best drug store
 Boston's largest drug store
 Boston's oldest drug store
 Superlatives encourage from advertising

As near as your telephone

Camera center, too

The family drug store
The drug store with delivery service

Questionable slogans

Perfection in pharmacy
Just what the doctor ordered
Triple check pharmacy

Undesirable slogans

See our prices before you buy elsewhere
You've tried the rest, now try the best
We lead, others follow
Where the best is none too good

Some legal aspects of slogans

1. A slogan may become property through long use
2. Slogans cannot be registered

Limited or short-term slogans

For a product: The right pen for write time
For the store: Boston's newest drug store

The family drug store
The drug store with delivery service

Questionable slogans

Perfection in pharmacy
Just what the doctor ordered
Triple check pharmacy

Undesirable slogans

See our prices before you buy elsewhere
You've tried the rest, now try the best
We lead, others follow
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Limited or short-term slogans

For a product: The right pen for right time
For the store: Boston's newest drug store

FINANCING A BUSINESS

What Is a "Business"?

Undertaking producing a profit is a "business"
Undertaking producing no profit (and no loss) is a "job"
Undertaking producing a loss is an "undisclosed charity"

Availability of Outside Financial Assistance

Business men will finance a business
Friends may finance a job
No one wishes to finance an undisclosed charity

Financing Involves:

1. Cash (own savings)
2. Credit
 - a. in the form of cash
 - b. in the form of merchandise and equipment
 - c. in the form of services

Credit

Another word for trust
Trust is the basis of all credit even when law favors the lender

Business credit is based upon the borrower's

1. Capacity to repay in the future
Determined by
 - a. Past record of success
 - b. Information forecasting an ability to repay
 - c. Capital, other than that to be advanced by lender
2. Intention to repay
Determined by
 - a. Writings
 - b. Past record of honesty and success
 - c. Character of borrower as judged by lender

Classification of Business Capital

1. Fixed capital--about 10% to 15% of annual sales
2. Working capital--about fifteen days' average sales

Nature of Fixed Capital

Nature of Working Capital

Types of Financing

1. Opening finance
2. Operating finance

Why opening finance is difficult to obtain (see chart)

General Rules for Types of Financing (All other things being equal)

1. Borrow as little as possible for opening finance
2. Borrow as much as possible for operating finance

What is a "Business"?

Underlying producing a profit is a "business"
Underlying producing no profit (and no loss) is a "job"
Underlying producing a loss is an "undiscovered charity"

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Financing Two Types:

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Credit

Another word for trust
Trust is the basis of all credit even when it favors the lender

Business credit is based upon the borrower's

1. Capacity to repay in the future
 - a. Past record of success
 - b. Information concerning an ability to repay
 - c. Capital, other assets that to be advanced by lender
2. Intention to repay
 - a. Written
 - b. Past record of honesty and success
 - c. Character of borrower as judged by lender

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Nature of Fixed Capital

Nature of Working Capital

Types of Financing

1. Operating Finance
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Why operating finance is difficult to obtain (see chart)

General Rules for Types of Financing (All other things being equal)

1. Borrow as little as possible for operating finance
2. Borrow as much as possible for operating finance

Problems of Opening Finance

1. Determination of profit and that amount of salary which can be spared during life of credit for repayment with interest
2. Finding true interest rate when it differs from stated rate
True interest rate is increased over stated rate by:
 - Interest deduction from proceeds of loan
 - Installment repayments
 - Special loan fees
 - Minimum deposit requirements
3. Subletting space or department as a source of income problems
4. Financing through wholesaler
5. Paying former owner out of sales

Operating Finance

1. The Perfect-Business Formula

An established business can use credit and skill alone to produce a profit. No investment in merchandise inventory is necessary. The formula:

1. Buy merchandise on credit
2. Buy only that amount which can be sold in the credit period granted when merchandise is purchased.
3. Mark up enough to cover all expenses and profit
4. Sell for cash

When the bill for the merchandise must be paid, the cash from sales is available.

In practice, the formula is never completely successful, but it is, nevertheless, a good working rule.

Some of the slack or deviation from formula (except from step No. 3) may be taken up by the next step, No. 5.

5. Use working capital or borrowed money if sales income at end of credit period is insufficient to meet the bill.

2. Taking Purchase Discounts

A profitable practice even if money has to be borrowed to take the discount.

Reasoning: Figure the discount as though it were interest received.

Problem: Is it profitable to borrow money at 6% interest to take a discount under credit terms of 2/10 N/30 on a bill for \$500?

Observations: The 6% interest is an annual rate.

The 2% discount is offered for paying 20 days sooner than compulsory payment date

(Bill must be paid in 30 days

Discount, if paid in 10 days

Discount is for pay 20 days sooner than compulsory date)

Calculations: Bill for \$500

2% disc. 10

\$490. must be paid in ten days if discount is to be received. (Borrow and pay bill on last or tenth day)

Borrow \$490 for twenty days at 6% and pay vendor.

(Compulsory date for payment is still the same, but now the payment will be made to the lender rather than the vendor)

Interest on \$490 at 6% is \$29.40 for one year

Problems of Operating Finance

1. Determination of profit and that amount of salary which can be spared during life of credit for repayment with interest
2. Finding true interest rate when it differs from stated rate
3. True interest rate is increased over stated rate by:
 - Interest deduction from proceeds of loan
 - Installment repayments
 - Special loan fees
 - Business discount repayments
4. Substituting space or equipment as a source of income problems
5. Financing through warehouse
6. Paying lower owner out of sales

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Reasoning: Figure the discount as though it were interest received.

Problem: Is it profitable to borrow money at 6% interest to take a discount under credit terms of 2/10, 1/30 on a bill for \$1000?

Observation: The 6% interest is an annual rate.

The 2% discount is offered for paying 20 days sooner than company payment date.

(Bill must be paid in 30 days)

Discount, if paid in 10 days

Discount is for pay 20 days sooner than company date)

Calculations: Bill for \$1000
2% disc. 20

\$1975 must be paid in ten days if discount is to be received. (Borrow and pay off last or tenth day)

Borrow \$1975 for twenty days at 6% and pay vendor.

(Company date for payment is 30 days, but now the payment will be made to the lender rather than the vendor)

Interest on \$1975 at 6% is \$19.40 for one year.

Lease is the relationship between landlord and tenant.
Lease is a written contract.

Discount amount received	\$10.00
Interest paid	1.64
Profit from transaction	<u>8.36</u>

Common types of leases:

1. Leasehold at will
2. Lease for years
3. Lease from year to year

If full \$500 was borrowed for thirty days (rather than \$490 for twenty days), the profit is \$7.50

Characteristics of each of the above types of leases:

General features for a leasehold interest:

1. Leasehold interest is a real property interest.
2. Leasehold interest is a right in rem.
3. Leasehold interest is a right in rem.
4. Leasehold interest is a right in rem.

Terms of a lease are governed by:

1. A contract by which the parties agree to lease.
2. The law.

Specific terms of a lease:

1. Duration of the lease
 - a. Indefinite
 - b. Fixed term
 - c. Leasehold for years
 - d. Leasehold for life
2. Rent
 - a. Fixed rent
 - b. Rent subject to change as to certain items
 - i. Price
 - ii. Quantity
3. Use of premises
 - a. Excluded use
 - b. Inclusion of use stated in lease
 - c. Inclusion of use
4. Provisions of leasehold for a leasehold interest
 - a. Leasehold interest subject to leasehold interest
5. Assignment of leasehold interest
 - a. By operation of law
 - b. By contract
 - c. By operation of law
 - d. By contract
 - e. By operation of law
 - f. By contract
 - g. By operation of law
 - h. By contract
 - i. By operation of law
 - j. By contract
 - k. By operation of law
 - l. By contract
 - m. By operation of law
 - n. By contract
 - o. By operation of law
 - p. By contract
 - q. By operation of law
 - r. By contract
 - s. By operation of law
 - t. By contract
 - u. By operation of law
 - v. By contract
 - w. By operation of law
 - x. By contract
 - y. By operation of law
 - z. By contract
6. Assignment of leasehold interest
 - a. By operation of law
 - b. By contract
 - c. By operation of law
 - d. By contract
 - e. By operation of law
 - f. By contract
 - g. By operation of law
 - h. By contract
 - i. By operation of law
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 - s. By operation of law
 - t. By contract
 - u. By operation of law
 - v. By contract
 - w. By operation of law
 - x. By contract
 - y. By operation of law
 - z. By contract
7. Assignment of leasehold interest
 - a. By operation of law
 - b. By contract
 - c. By operation of law
 - d. By contract
 - e. By operation of law
 - f. By contract
 - g. By operation of law
 - h. By contract
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 - t. By contract
 - u. By operation of law
 - v. By contract
 - w. By operation of law
 - x. By contract
 - y. By operation of law
 - z. By contract
8. Assignment of leasehold interest
 - a. By operation of law
 - b. By contract
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 - w. By operation of law
 - x. By contract
 - y. By operation of law
 - z. By contract
9. Assignment of leasehold interest
 - a. By operation of law
 - b. By contract
 - c. By operation of law
 - d. By contract
 - e. By operation of law
 - f. By contract
 - g. By operation of law
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 - r. By contract
 - s. By operation of law
 - t. By contract
 - u. By operation of law
 - v. By contract
 - w. By operation of law
 - x. By contract
 - y. By operation of law
 - z. By contract
10. Assignment of leasehold interest
 - a. By operation of law
 - b. By contract
 - c. By operation of law
 - d. By contract
 - e. By operation of law
 - f. By contract
 - g. By operation of law
 - h. By contract
 - i. By operation of law
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 - t. By contract
 - u. By operation of law
 - v. By contract
 - w. By operation of law
 - x. By contract
 - y. By operation of law
 - z. By contract

(Continued)

Discount amount received	\$10.00
Interest paid	1.61
Profit from transaction	<u>8.39</u>

If full \$500 was borrowed for thirty days (rather than \$480 for twenty days), the profit is \$50

TENANCIES AND LEASES

Tenancy is the relationship between landlord and tenant
Lease is a written contract establishing the tenancy.

Common types of business tenancies

1. Tenancy at will
2. Tenancy for years
3. Tenancy from year to year

Characteristics of each of the above types of tenancies

General Cautions for a druggist tenant

1. Avoid a binding lease until professional licenses are assumed
2. Seek legal assistance before signing a lease
3. Never assume open-end liabilities in leases
4. Avoid certain criminal acts which will allow the landlord to cancel the lease

Terms of a lease in general

1. A contract may contain any terms not themselves illegal
2. Form leases

Specific lease terms

1. Duration of tenancy
 - a. Extensions
 - b. Renewals
 - c. Assignments
 - d. Subletting
2. Rent
 - a. Fixed rental
 - b. Percentage of sales or income rentals
 - Types
 - Problems
3. Use of premises
 - a. Stated use
 - b. Deviation from stated use
 - c. Illegal use
4. Fitness of premises for a particular use
 - a. Caveat emptor doctrine
5. Obligation to make repairs
 - a. By landlord
 - "Keep in repair"
 - "Make repairs"
 - Does "repair" include "rebuild"?
 - Extent of repairs
 - b. By tenant
 - Forms of waste: permissive, voluntary
 - Does "repair" include "rebuild"?
6. Covenant against competition
7. Obligation to provide utilities
8. Ice and snow covenant
9. Insurance
10. Miscellaneous

TENANCIES AND LEASES

Tenancy is the relationship between landlord and tenant.
Lease is a written contract establishing the tenancy.

Common types of business tenancies

1. Tenancy at will
2. Tenancy for years
3. Tenancy from year to year

Characteristics of each of the above types of tenancies

General conditions for a landlord tenant

1. Avoid a binding lease until professional license is secured
2. Check legal requirements before signing a lease
3. Never assume open-end liabilities in leases
4. Avoid certain original acts which will allow the landlord to cancel the lease

Terms of a lease in general

1. A contract may contain any terms not themselves illegal
2. Four factors

Specify the lease terms

1. Duration of tenancy

- a. Intentions
- b. Intentions
- c. Assumptions
- d. Subletting

2. Rent

- a. Fixed rental
- b. Percentage of sales or income rental

Types

3. Use of premises

- a. Stated use
- b. Deviation from stated use
- c. Illegal use

4. Fitness of premises for a particular use

- a. Current and for duration
- b. Obligation to make repairs
- c. By landlord

"Keep in repair"

"Make repairs"

Does "repair" include "repairs"?

Extent of repairs

b. By tenant

Forms of waste: permissive, voluntary

Does "repair" include "repairs"?

6. Government against competition

7. Obligation to provide utilities

8. Ice and snow removal

9. Insurance

10. Miscellaneous

Subdivisions of the subject of fixtures

- I. Investment in fixtures
- II. Law of fixtures
- III. Arrangement of fixtures

I. Investment in fixtures

New fixtures average from 10% to 15% of annual sales.

Observation: Largest business has smallest investment in fixtures, percentagewise.

Smallest business has largest percentage of annual sales invested in fixtures.

Annual Sales	Investment	
	as % of annual sales	in average days' sales
Under \$25,000	15 %	55 days' sales
\$25,000 to \$50,000	12.5%	46 days' sales
Over \$50,000	10 %	37 days' sales

Investment in all fixtures (or any specific fixture) is based on the rate of depreciation which the markup for the store (or the department) can absorb.

Ex.: For all fixtures of a drug store (Adv., sign, front, fixtures)

Fixture depreciation rate: 1% of average annual sales

Life of fixtures: 15 years (average)

15 years x 1% :: 15% of average annual sales invested in new fixtures of the store

(Notice that it is assumed that annual sales are reasonably constant or that a 15-year average figure is used for annual sales.)

Ex.: For soda fountain fixtures

Fixture depreciation rate: 2% of fountain sales

Life of fountain fixtures: 10 years (average)

10 years x 2% :: 20% of average annual fountain sales for new fountain fixtures

New store investment in fixtures

Estimate long-term average annual sales and use from 10% to 15% of this figure for fixture investment.

To exceed this amount is to decrease profit, for the excess must be paid by owner of business rather than by customers through depreciation amount included in markup.

Buying fixtures as part of an established business

If business is profitable, set maximum fixture value at replacement cost plus installation cost plus small premium.

II. Law of fixtures

Situation: Landlord owns the real estate

Druggist tenant brings on and possibly attaches fixtures to real estate

Question: Does the landlord acquire ownership of the fixtures?

May the tenant remove them when he moves?

General Solution: A written agreement between landlord and tenant can solve all fixture matters.

When there is no written agreement concerning the title to fixtures, the following general rules may solve the question:

1. Unattached, moveable fixtures always belong to the person who brought them on to the premises.

Ex.: Cash register, tables, chairs, etc...

- I. Investment in fixtures
- II. Law of fixtures
- III. Arrangement of fixtures

I. Investment in fixtures
 How fixtures are invested, from 10% to 15% of annual sales.
 Operational fixtures are those which are essential to the business.
 Ornamental fixtures are those which are not essential to the business.
 Ornamental fixtures are those which are not essential to the business.
 Ornamental fixtures are those which are not essential to the business.

Investment	Annual sales	in average days' sales
10%	10%	10%
15%	15%	15%
20%	20%	20%
25%	25%	25%
30%	30%	30%

Investment in all fixtures (on any specific fixture) is based on the rate of depreciation which the owner for the store (or the department) can afford to pay.
 For all fixtures of a drug store (Adv., stat., front, fixtures)
 Fixtures depreciation rates: 1% of average annual sales
 Life of fixtures: 15 years (average)
 15 years x 1% = 15% of average annual sales invested in new fixtures of the store
 (Notice that it is assumed that annual sales are reasonably constant or that a 15-year average figure is used for annual sales)
 For new fixtures: 15% of average annual sales
 Life of fixtures: 15 years (average)
 Fixtures depreciation rates: 1% of average annual sales
 15 years x 1% = 15% of average annual sales invested in new fixtures of the store

New store investment in fixtures
 Estimate 10% of average annual sales and use from 10% to 15% of this figure as the fixture investment.
 To check this amount is no business profit, for the excess must be paid by owner of business rather than by customer through depreciation amount included in markup.
 Buying fixtures as part of an established business
 If business is profitable, set maximum fixture value at replacement cost plus installation cost plus small profit.

II. Law of fixtures
 Situation: Landlord owns the real estate
 Tenant wants to put on and possibly attach fixtures to real estate
 Question: Does the landlord acquire ownership of the fixtures?
 Answer: Yes, the tenant moves them when he moves.
 General solution: A written agreement between landlord and tenant can solve all fixture matters.
 When there is no written agreement concerning the title to fixtures, the following general rules may solve the question:
 Attached, movable fixtures always belong to the person who brought them on to the premises.
 Ex: Cash register, tables, chairs, etc.

2. Trade fixtures -- those peculiar to a trade -- remain the tenant's even if attached.

Ex.: Soda fountain and carbonator, prescription bench, wall display cases, advertising signs, etc.

3. Realty--those attached fixtures which are usual and are expected to be found on premises offered for lease.

These are true "fixtures" in law, and belong to the landlord upon attachment to the real estate.

Ex.: Sink, heating system, doors, lighting fixtures, balcony, windows, floor, floor covering attached to floor, etc.

Miscellaneous

1. Failure to remove fixtures during leased time.
2. Common law concerning fixtures destroyed by removal.

III. Arrangement of fixtures (Drug store layout)

Function of fixtures

1. To store, protect, display goods
2. Lend prestige to goods, firm, business
3. To decrease operating expenses

Architectural elements

1. Color
 - Psychology
 - Lighting efficiency and reflection
 - As aid to display
 - As aid to cleanliness
2. Style
 - Open - closed
 - Modern - period
 - Floor space
3. Size
 - Function
 - Cost

General objectives of layout

1. Customer convenience
2. Clerk convenience
3. Shopping arrangement
4. Artistry

Classification of goods and services from customer viewpoint (To be used as a basis for layout principles)

1. Demand goods
 - Those for which there is urgency
 - Customer must come to a drug store to obtain them
 - Ex.: Professional goods and services
 - Monopoly goods
2. Impulse goods
 - Those purchased upon impulse. Demand lost if not immediately satisfied.
 - Ex.: Refreshment, bargains, novelties
3. Staple goods
 - Those for which there is generally neither urgency nor pure impulse.
 - Ex.: Steady-demand goods

Planning a drug store layout (One customer entrance)

Divide store space into:

1. Rear store (where customers do not enter)
2. Front store
 - a. Front section (nearest entrance)
 - b. Middle section
 - c. Rear section

2. Trade fixtures -- those peculiar to a trade -- remain the tenant's even if attached.
- 3.1. Goods, furniture and equipment, display cases, advertising signs, wall display cases, advertising signs, etc.
- 3.2. Fixtures -- those attached fixtures which are usual and are expected to be found on premises offered for lease.
- 3.3. Things are trade fixtures in law, and belong to the landlord upon attachment to the real estate.
- 3.4. Sink, heating system, doors, lighting fixtures, balcony, windows, floor, floor covering attached to floor, etc.

Miscellaneous

1. Failure to remove fixtures during leased time.
2. Common law concerning fixtures destroyed by removal.

III. Arrangement of Fixtures (Type store layout)

Function of fixtures

1. To store, protect, display goods
2. Lead patrons to goods, time, business
3. To save operating expenses
4. Architectural elements
5. Other

Display

Lighting efficiency and reflection

As aid to display

As aid to illumination

3. Signs

Form -- design

Material -- period

Floor space

4. Size

Function

Cost

General objectives of layout

1. Customer convenience

2. Merchandise

3. Shopping convenience

4. Attraction

Classification of goods and sections from customer viewpoint (To be used as a basis for layout planning)

1. Demand goods

Those for which there is urgency

Customer must come to a drug store to obtain them

Ex: Prescription goods and medicines

Non-demand goods

2. Japanese goods

These purchased by Japanese. Demand lost if not immediately satisfied.

Ex: Westerners, paintings, novelties

3. Staple goods

Those for which there is generally neither urgency nor pure

luxury.

Ex: Ready-made goods

Planning a drug store layout (One customer viewpoint)

1. Locate store (where customers do not enter)

2. Front store

3. Front section (nearest entrance)

4. Middle section

5. Rear section

Rear section to contain:

1. Demand goods
 - Prescription department
 - Hospital goods
 - Veterinary supplies
2. Long-service departments (to avoid traffic congestion)
 - Prescription department
 - Service booths
 - Telephone booths
3. "Free" services (Encourages purchases by users of free services)
 - Telephone booths
 - Stamps and P.O. substation
 - Free checking
 - Public bulletin board
4. Low located goods
 - Packaged liquor (Massachusetts)

Front section to contain:

1. Impulse goods
 - Fountain
 - Magazines and papers
 - Bargain table
 - Tobacco
2. Specially features goods (Temporary displays, sometimes)
 - New line
 - Currently advertised in newspapers or windows
 - Current events suggested goods
 - Seasonal goods

Middle section to contain:

1. Packaged drugs
2. Cosmetics
3. Baby goods department
4. Cameras
5. Boxed candy

In any particular drug store, because of local conditions, a line of products may be located differently than is suggested above.

Ex.: Camera department, if extensive, may be in "front section" or at center island if store area is large.

Sections of the front store are not equal in all stores. Thus, a professional pharmacy may use two-thirds of the area for a "rear section" while a merchandising store may use three-fourths of the area for a "front section".

Multiple store entrances for customers may alter considerably the layout, even to the extent of requiring duplications of impulse sections.

Miscellaneous layout requirements and considerations:

1. For clerk convenience (few clerks, busy store), fast selling goods may be near central cash register.
2. Aisles wide enough for two with bundles to pass comfortably.
3. Utilize tendency of people
 - to turn to the right
 - to turn toward light
4. Related departments adjoining or close
5. Antagonistic-mood departments as far apart as possible
 - ex.: Prescription and luncheonette departments using same back room to be on opposite sides of the store
6. Non-productive areas as small as practical
7. Face customer when using cash register

- Back section to contain:
1. General goods
 - Prescription department
 - Hospital goods
 - Veterinary supplies
 - Long-service departments (to avoid traffic congestion)
 - Prescription department
 - Services booths
 - Telephone booths
 - "Free" services (Encourages purchases by means of free services)
 - Telephone booths
 - Stamps and P.O. station
 - New checking
 - Public bulletin board
 - Low located goods
 - Freight elevator (Massachusetts)

- Front section to contain:
1. General goods
 - Journal
 - Magazines and papers
 - Barber table
 - Tobacco
 - Specialty features goods (Temporary displays, sometimes)
 - New lines
 - Occasionally advertised in newspapers or windows
 - Current events suggested goods
 - General goods

- Middle section to contain:
1. Packaged drugs
 2. Cosmetics
 3. Baby goods department
 4. Camera
 5. Book candy

In any particular drug store, because of local conditions, a line of products may be located differently than is suggested above. Ex: Camera department, if extensive, may be in "front section" or, if center island if store area is large. Sections of the front store are not equal in all stores. Thus, a professional pharmacy may use two-thirds of the area for a "rear section" while a metropolitan store may use three-fourths of the area for a "front section".

Multiple store entrances for customers may differ considerably the layout, even to the extent of requiring duplications of impulse sections.

- Miscellaneous layout requirements and considerations:
1. For clerk convenience (low counter, drug store), face telling goods may be near central cash register.
 2. Aisle wide enough for two with handles to pass comfortably.
 3. Utilize tendency of people -- to turn to the right -- to turn toward light
 4. Related departments adjoining or close
 5. Antagonistic-kind departments as far apart as possible ex: Prescription and high-priced department near back room to be on opposite sides of the store
 6. Self-service areas as small as practical
 7. Free customer when using cash register

8. Doorways and doors
 - Clear view
 - Large
 - Easy working
9. Lighting
 - In store
 - In window display areas
10. Outside advertising signs
11. Window display areas
 - Type
 - Size
12. Fountain
 - Location
 - Size
13. Island counters
 - Self-service
 - Clerk service
14. Prescription bench
 - Open
 - Closed
 - Both or combined
15. Back room fixtures

8. Doorways and doors
Clear view
Large
Easy working
9. Lighting
In store
In window display areas
10. Outside advertising signs
11. Window display areas
Type
Size
Location
12. Fixtures
Location
Size
Inland operators
Self-service
Clerk service
13. Transportation plans
Open
Closed
Both or combined
14. Back room fixtures

BUYING A DRUG STORE

(See: Law, Economics and Business in Buying a Drug Store, A. Ph. A. Journal, pp. 839-844, September, 1937)

General:

A drug store business is property — private property.

An owner of private property can place any value he wishes upon his property.

So can a prospective buyer.

Types of property

1. Tangible property
 - a. Fixtures and equipment
 - b. Stock inventory
 - etc.
2. Intangible property
 - a. Accounts receivable
 - b. Good will (future profit potential)
 - c. Contracts, including lease which can be transferred
 - etc.
3. Negative property or liabilities
 - a. Accounts payable
 - b. Notes payable
 - c. Judgements or pending legal action
 - etc.

A few drug stores are purchased for non-operational purposes, as for:
location
lease
elimination of competition
etc.

These are not under discussion.

The average purchaser of a drug store intends to operate it as a profitable undertaking. In spite of wishes, a purchased drug store may turn out to be one of the following:

1. A profit producer
2. A job (produces only salary)
3. A charity (produces only part of a salary which could be earned working for others)
4. A loser of investment
5. A loser of investment and a creator of added liability.

In 1949 about 70,000 businesses failed or closed. Drug stores were among them.

Before buying:

1. Investigate the past of the business
2. Forecast the future (consider both personal and business essentials)
For business:
 - a. Lease
 - b. Assets, all types (and liabilities)
 - c. Economic, business, social conditions of locality.
(Same analysis as is used in finding a business location for a new venture)

Methods of evaluating drug stores

1. "Quick methods" Usually simple formulas using as a start either the sales figure or the profit figure. The soundness of other aspects of the business is left to general observation or reliance upon a belief in "continuation of economic and other institutions".
The quick methods are always "plays on the averages."
For safety--average the prices of several quick method evaluations.

BUYING A DRUG STORE

(Sec: Law, Economics and Business in Buying a Drug Store, A. H. A. Journal, Vol. 33-34, September, 1937)

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A drug store business is property -- private property. An owner of private property can place any value he wishes upon his property. It can be a prospective buyer.

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 - a. Accounts payable
 - b. Notes payable
 - c. Judgments or pending legal action
 - d. etc.

A few drug stores are purchased for non-operational purposes, as for: location, lease, elimination of competition, etc. These are not under discussion.

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 2. A job (provides only salary)
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 2. Forecast the future (consider both personal and business essentials) for business:
 - a. Lease
 - b. Assets, all types (and liabilities)
 - c. Economic, business, social conditions of locality.
- (Some analysis as is used in finding a business location for a new venture)

Methods of evaluating drug stores

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Usually simple formulas using as a start either the sales figure or the profit figure. The soundness of other aspects of the business is left to general observation or reliance upon a belief in "common sense of economic and other intuitions".

The quick methods are always "plays on the averages". For safety--average the prices of several quick method evaluations.

Methods of evaluating drug stores (contd.)

2. Detailed asset and liability evaluations

Quick methods based upon the average SALES figure

1. Drug store worth is equal to "sales of 100 days"

(100 days is 27.4% of the year)

Price may be too high if economics is at boom and ready for a drop.

Price may be too low if economics is at depression and ready for recovery.

2. Drug store worth is between 30% and 36% of average annual sales.

Reasoning: In an average drug store the assets are:

Fixtures	10%	of average sales
Stock invent.	16%	" " "
Good will	7%	" " "
	<u>33%</u>	

Be sure to adjust for economic forecast.

Assume no liabilities, or adjust price if liabilities are assumed.

Quick methods based upon average annual PROFIT figure

Preliminaries:

Estimate the life of the business under your management -- perhaps by own health, lease, economic conditions, etc. Then determine how many years of profit can be put into investment while you live on salary alone. Theory: New owner takes accumulated profits when he sells the store.

The "profit" figure must come from bookkeeping records and not be a guess of present owner--unless he guarantees profit and allows some of the price to be withheld as a bond.

1. Drug store worth is average annual profit
- times
- the number of years of profit buyer has determined.

(Average life of drug store under a single management is about five years in the city, and about twelve years in the country)

(Ex.: If the lease is short, say three years, and is not renewable, price offered cannot be three years' profit, for in moving or closing there will be some loss. To offer more than three years' profit, under the conditions, is very hazardous.)

2. Capitalization-of-profits is another way of using the formula above. That is, the profit is treated as a definite, wanted return or earning of the investment.

Reasoning: Investments earn the following rates:

Savings accounts	1 to 2.5%
Bonds	2 to 4%
Mortgages	4 to 6%
Stocks	4 to 8%

In each case only the investment is risked.

In business there are many additional risks, as of health, additional losses, legal actions, etc. The return, therefore, should be large enough to cover these risks.

Drug store business should produce at least 18% to 20% return on investment if risks are not unusual.

Ex.: Average annual profit \$2,500. Capitalization of 25%.

(Profit pays for investment in four years)

$$25\% : \$2,500 :: 100\% : X$$

$$25X :: 250,000$$

$$X :: \$10,000, \text{ the worth of the drug store}$$

Methods of evaluating drug stores (contd.)
2. Detailed asset and liability evaluations

Quick methods based upon the average SALES figure
1. Drug store worth is equal to "sales of 100 days"

(100 days is 2 1/2 years of the year)
Price may be too high if economic is at boom and ready for a drop.
Price may be too low if economic is at depression and ready for recovery.

2. Drug store worth is between 70% and 10% of average annual sales.

Reasoning: In an average drug store the assets are:

Fixtures	10% of average sales
Stock inventory	10% "
Good will	10% "
	10% "
	10% "
	10% "

Be sure to adjust for economic forecast.

Assume no liabilities, or adjust price if liabilities are assumed.

Quick methods based upon average annual PROFIT figure

Preliminary:

Estimate the life of the business under your management -- perhaps by own health, income, economic conditions, etc. Then determine how many years of profit can be put into investment while you live on salary alone. Theory: New owner takes accumulated profits when he sells the store.

The "profit" figure must come from bookkeeping records and not be a guess of present owner--unless he guarantees profit and allows some of the price to be withheld as a bond.

1. Drug store worth is average annual profit times the number of years of profit buyer has determined.

(Average life of drug store under a single management is about 25 years in the city, and about 20 years in the country)

(Note: If the lease is short, say three years, and is not renewable, price offered cannot be three years' profit, for in moving or closing there will be some loss. To offer more than three years' profit, under the conditions, is very hazardous.)

2. Capitalization-of-profit is another way of using the formula above. That is, the profit is treated as a definite, wanted return on earning of the investment.

Reasoning: Investments earn the following rates:

Real estate accounts	1 to 5%
Bonds	5 to 10%
Stocks	10 to 20%
Life insurance	4 to 8%

In each case only the investment is risked. In business there are many additional risks, as of health, additional losses, legal actions, etc. The return, therefore, should be large enough to cover these risks. Drug store business should produce at least 15% to 20% return on investment if risks are not unusual.

Ex: Average annual profit \$2,500. Capitalization of 20% (Profit pays for investment in four years)

$$\$2,500 \div 20\% = \$12,500$$

$$\$2,500 \div 10\% = \$25,000$$

Worth of the drug store

If 5 years' profit is to be used as basis, capitalize at 20%

$$\begin{array}{rcl} 20\% & : & \$2,500 \\ 20X & :: & 250,000 \\ X & :: & \$12,500, \text{ worth of drug store} \end{array}$$

Detailed evaluation of assets (and liabilities) method

This method can also be called: Net worth method

Bookkeeping formula method (Assets - Liabilities :: Net worth)

Balance sheet method

Assets and Liabilities method

Formula: Worth of drug store is equal to assets (depreciated) minus liabilities (which are assumed by buyer)

More specifically: Add the values of:

Fixtures (depreciated)

Equipment (depreciated)

Stock inventory (depreciated for obsolescence)

Accounts receivable (depreciated)

Good will (generally one year's profit)

Good will includes:

Lease

Name of business

Prescription files (except narcotics, etc.)

Customer list

Non-competition agreement

	<u>Total Assets</u>
Deduct:	<u>Liabilities assumed (list specifically those assumed)</u>
Equals:	<u>Net worth of the drug store business</u>

Miscellaneous

1. Bulk sales law
2. Authority of vendor to sell: partner, corporate officer, administrator.
3. Lease, insurance, and other transfers
4. Professional licenses
5. Payment plans

17 years' profit is to be used as basis, capitalizing at 50%

50% : \$2,500 :: 100% : X
 50% : 250,000 :: 100% : X
 50% : \$12,500 :: 100% : X

Detailed evaluation of assets (and liabilities) method
 This method can also be called: Net worth method
 Bookkeeping formula method (Assets - Liabilities = Net worth)

Balance sheet method
 Assets and liabilities method
 Formula: Net worth of drug store is equal to assets (depreciated) minus liabilities (which are summed by paper)

More specifically: Add the values of:
 Fixtures (depreciated)
 Equipment (depreciated)
 Stock inventory (depreciated for obsolescence)
 Accounts receivable (depreciated)
 Good will (generally one year's profit)
 Good will includes:
 Lease
 Name of business
 Prescription files (except narcotics, etc.)

Customer list
 Non-competition agreement
 Total Assets
 Liabilities summed (list specifically those assumed)
 Net worth of the drug store business

Miscellaneous

1. Risk sales law
2. Authority of vendor to sell: partner, corporate officer, administrator
3. Lease, insurance, and other transfers
4. Professional licenses
5. Payment plans

INSURANCE

General

In economics, a businessman is called a "risktaker"

Risk is inherent in all wealth and property

Risks are assumed voluntarily for the sake of income

Risktakers seek to diminish risks

Types of risks

1. Nature produced
2. Man-made

1. Determinable (statistics)
2. Undeterminable

1. Non-transferable
2. Transferable

Risktaker is willing to surrender part of the income (as premium) to one who will assume the risk for him.

Insurance firms are in business to assume risks for a premium.

Risks assumed are made very specific by the terms of the contract or policy

Ex.: In fire insurance some of the methods of making the coverage or protection offered very specific are through:

1. Person insured named
2. Place of risk named
3. Type of hazard named (also exclusions, exceptions)
4. Time of protection named
5. Maximum collection rules established

To know exactly what protection a policy offers, read the terms.

Standard Policies

Some insurance contract clauses and terms

1. Re-instatement of coverage after loss
2. Assignment of policy
3. Cancellation and rates
4. Subrogation
5. Types of coverage: blanket, specific
6. Causes for voidance of policy
 - Illegal acts
 - Risk enlarged
 - Fraud
 - etc.

Types of insurance drug store needs (many other types are available)

1. Fire
2. Public liability
3. Druggist liability
4. Plate glass
5. Workmen's compensation

In economics, a businessman is called a "risk-taker".
Risk is inherent in all wealth and property.
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1. Non-transferable
2. Transferable

Risk-taker is willing to surrender part of the income (as premium) to one who will assume the risk for him.
Insurance firms are in business to assume risks for a premium.

Risks assumed are made very specific by the terms of the contract or policy.
Ex: In life insurance some of the methods of making the coverage or protection offered very specific are through:

1. Person insured named
2. Place of risk named
3. Type of hazard named (also exclusions, except ones)
4. Time of protection named
5. Maximum collection rates established

To know exactly what protection a policy offers, read the terms.

Standard Policies

1. Re-insurance contract clauses and terms.
2. Re-insurance of coverage after loss
3. Assignment of policy
4. Cancellation and rates
5. Subrogation
6. Types of coverage; blanket, specific
7. Causes for voidance of policy
8. Unpaid note
9. Risk enlarged
10. Fraud
- etc.

Types of insurance that store needs (many other types are available)

1. Fire
2. Public liability
3. Burglar liability
4. Plate glass
5. Workmen's compensation

Fire Insurance

Reduced rate clause (also called co-insurance clause, 80% clause)

An 80% clause in a policy means that the insured agreed to carry 80% insurance, either with the insurer of the policy or others. If 50% coverage is taken with Co. A., and its policy has an 80% clause, the insured must buy at least 30% more coverage elsewhere or CARRY THE RISK HIMSELF AS INSURER.

Reason for 80% co-insurance clauses

Collection rules under co-insurance policies

Public liability insurance

Risks of druggist to invitees
Coverage of policy
Premium determination

Druggist liability insurance

Plate glass insurance

Workmen's compensation insurance

Common law
Nature of compulsion to take insurance
Premiums
Coverage

The Insurance

Reduced rate clause (also called co-insurance clause, 80% clause)

As 80% clause in a policy means that the insured agreed to carry 80% insurance, either with the insurer of the policy or others. If 80% coverage is taken with Co. A, and the policy has an 80% clause, the insured must pay at least 80% more coverage elsewhere or CARRY THE RISK HIMSELF AS INSURER.

Reason for 80% co-insurance clause

Collection rules under co-insurance policies

Public liability insurance
Rights of insured to recover
Coverage of policy
Proving determination

Property liability insurance

Place class insurance

Business's co-insurance insurance

Common law
Nature of obligation to take insurance
Premiums
Coverage

COMPETITION

In the broad sense, competition is anything that destroys or diminishes the opportunity to make an income in a business.

Ex.: Laws, religions, customs

In the usual sense, competition is that which takes for itself the money that could have been spent with ME.

Competition always has an effect upon the PERSON. It is unpleasant because it restrains or hinders one in the exercise of free will and causes interference (real or imaginary) with obtaining a living.

In business:

Competition is a concomitant of freedom for all

Scarcity causes competition

Competition is rivalry

Competition classified:

1. Outside competition

a. Economic competition

All who sell goods or services are competitors, whether goods are same or different.

Competition is for spendable income of public

b. Vendors of drug store merchandise

Other druggists

Dispensing physicians

Clinics

Newspaper dealers

Ice cream vendors

etc.

2. Inside competition

a. Between brands

b. Between substitutes (different drugs, same use)

c. Between departments

Monopoly, the dream of businessmen

Superiority, the goal of businessmen

Competition; the spur to improvement

Competition, a war with limitations and rules

Competition in

1. Prices

2. Quality

3. Services

Most feared power of competitors of druggist is location of competitor.

(Most customers buy at nearest drug store. Specialty of one druggist which another does not possess may give some advantage over location.)

COMPETITION

In the broad sense, competition is anything that destroys or diminishes the opportunity to make an income in a business.

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Competition is a concomitant of freedom for all.
Necessity causes competition.
Competition is rivalry.

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Clinics
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Competition in

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2. Quality
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Most feared power of competitors of druggist is location of competitor.
(Most customers buy at nearest drug store. Specialty of one druggist which another does not possess may give some advantage over location.)

Some local aspects of competition

Free enterprise vs. public health reason for limiting number of drug stores.

Monopoly restraint for industry as a whole

Unfair competition controls

Price 1.00 (for non-members)

Minimum resale prices: by statute, by trade mark owner.

Illegal sales of buyings. Customers must pay for everything if business is to be successful.

Meeting fair competition

1. Own label (semi-monopoly) products, and other specialties
2. Better buying
3. Better selling
4. Better management of finances, personnel
5. Shopper-gained information of competitor actions
6. Co-operative action through associations
Participation in association business affairs

Futility of price wars, when such wars are legal

Some legal aspects of competition

Price enterprises vs. public health reason for limiting number of drug stores.
Monopoly restraint for industry as a whole
Unfair competition controls
Price
Minimum resale prices by statute, by trade mark owner.

Illegal sales

- Violating fair competition
1. Own label (semi-monopoly) products, and other specialties
 2. Better buying
 3. Better selling
 4. Better management of finances, personnel
 5. Shopper-gained information of competitor actions
 6. Co-operative action through associations
 7. Participation in association business affairs

Feasibility of price wars, when such wars are legal

BUYMANSHIP

A retail drug store owner buys many types of goods and services. He buys:

1. Fixtures and equipment
2. Use of space
3. Insurance, utilities, services
4. Employee services
5. Use of money (credit)
6. Raw materials for manufacturing
7. Merchandise for resale

A reminder for all types of buying: Customers must pay for everything if business is to be successful.

Only the last two types of buying -- raw materials and merchandise -- are to be considered under buymanship.

Why correct buying is always important in retail pharmacy

1. Purchases are final
2. Demand for products or merchandise is limited in drug field
3. Turnovers are few
4. Risks are many
Economic, business, legal, professional, psychological risks

Increasing importance of correct buying

Some retail pharmacy trends that are increasing the importance of correct buying:

1. Decrease of compounding in prescriptions
2. Increase of total sales and overall inventory cost
3. Increase of inside and outside competition
4. Increase in restrictions on sales of drugs
5. Increase in cost of goods sold and/or decrease of margin
6. Inadequate markup allowance on many fair traded items.

Markup allowance based on turnover rate of item, not of department or entire store.

7. Increase in overhead expenses, percentagewise.
8. Obsolescence of materials and merchandise through medical progress, style change, change in laws.
9. Return of a buyer's market
10. Increase in variety of items stocked

Some classifications of buying

1. Overbuying
2. Efficient buying
3. "Safe" buying
4. Underbuying

1. Business buying
2. Speculative buying

1. Buying for opening stock
2. Buying for established demand

BUYING

1. Retail drug store owner buys many types of goods and services. He buys:
 1. Fixtures and equipment
 2. Use of space
 3. Insurance, utilities, services
 4. Employee services
 5. Use of money (credit)
 6. Raw materials for manufacturing
 7. Merchandise for resale

A reminder for all types of buying: Customers must pay for everything if business is to be successful.

Only the last two types of buying -- raw materials and merchandise -- are to be considered under buying.

Why correct buying is always important in retail pharmacy

1. Purchases are final
2. Demand for products or merchandise is limited in drug field
3. Turnovers are low
4. Sales are small
5. Economic, business, legal, professional, psychological risks

Increasing importance of correct buying
Some retail pharmacy trends that are increasing the importance of correct buying:

1. Increase of competition in prescription
2. Increase of total sales and overall inventory cost
3. Increase of inside and outside competition
4. Increase in restrictions on sales of drugs
5. Increase in cost of goods sold and/or decrease of margin
6. Increase in working alliances on many fast-moving items
7. Working alliances based on turnover rate of item, not of department or entire store
8. Increase in overhead expenses, percentages
9. Obsolescence of materials and merchandise through medical progress, style changes, changing laws
10. Return of a buyer's market
11. Increase in variety of items stocked

Some classifications of buying

1. Overbuying
2. Efficient buying
3. "Safe" buying
4. Underbuying
5. Business buying
6. Speculative buying
7. Buying for opening stock
8. Buying for established demand

1. Buying for one outlet
2. Buying for a chain

1. Individual buying
2. Cooperative buying

No single rule for buying

The classifications above is evidence of some of the variables that arise in buying.

Additional variables are shown to exist from the following general observation:

The community's demands will very largely determine

- quality
- style
- variety, and
- price level of the item purchased

The druggist must determine

- how much (most frequent problem)
- where
- when
- at what price
- on what terms the item shall be purchased.

Some factors determining the quantity to buy

1. Past or potential demand for the item
 - . Total, rate, and seasonality of demand
2. Financial position of buyer
 - Cash and credit position
3. Risks that race with the sale
 - a. Natural risks
 - b. Man-made risks
4. Limitations of space, time, help
5. Degree of economic stability and its effect on:
 - a. Price
 - b. Supply

Some operating rules for determining quantity to buy

1. Whenever possible keep no inventory. Buy as demand arises.
Proximity of wholesaler or quick delivery necessary for success.
Ex.: Filling quantity orders for hospital or institution
2. Minimum purchase rule:
Buy that amount which can be sold in the credit period granted.
Ex.: End of month billing -- 15th of month -- buy 15-day supply. E.O.M. billing -- 1st day of month -- buy 30-day supply. (This rule is part of the "Perfect-Business Formula" -- See "Financing" notes)
3. Maximum purchase rule:
When in doubt, limit the quantity of a steady-demand item purchased to that amount which can be sold in from ten to twelve weeks. (This allows from five to four turnovers of investment each year.)

1. Paying for one unit
2. Paying for a claim
3. Individual paying
4. Cooperative paying

No single rule for buying

The classification above is evidence of some of the variables that arise in buying.

Additional variables are shown to arise from the following general observation:

The community's demands will vary largely determine
-- quality
-- style
-- variety, and
-- price level of the item purchased

The druggist must determine

- how much (most frequent problem)
- when
- at what price
- on what terms the item shall be purchased.

Some factors determining the quantity to buy

1. Past or potential demand for the item
2. Total, rate, and seasonality of demand
3. Financial position of buyer
4. Cash and credit position
5. Risks that may result from the sale
6. Natural risks
7. Man-made risks

1. Limitations of space, time, help
2. Degree of economic activity and its effect on:
 - a. Price
 - b. Supply

Some operating rules for determining quantity to buy

1. Whenever possible keep no inventory. Buy as demand arises.
Proximity of wholesaler to place delivery necessary for success.
Last: filling quantity orders for hospital or institution

2. Minimum purchase rules:

Put time amount which can be sold in the credit period granted.
Last: end of month billing -- 15th of month -- pay 15-day
supply. E.O.R. billing -- last day of month -- pay
10-day supply. (This rule is part of the "perfect-
business formula" -- See "Financing" notes)

3. Maximum purchase rules:

When in doubt, limit the quantity of a steady-demand item purchased
to last amount which can be sold in from ten to twelve weeks. (This
allows from five to four turnovers of investment each year.)

4. Average purchase rule for store as a whole:

Limit monthly purchases (for entire store and without distinction as to type of goods) to about 67% of monthly sales. The period of budget may be extended to three months or possibly longer, if necessary, but the rule becomes impractical if the period is shortened to less than a month.

5. Average purchase rule for purchases by entire store, or departments, when average markup is known.

Keep the inventory-at-cost in the store (or department) as an appropriate percentage of annual sales in the store or the department.

Ex.: For the store as a whole.

$$\begin{array}{r} \text{Sales } 100 \% \\ \underline{32.5\%} \\ 67.5\% \text{ of sales is cost of goods sold} \end{array}$$

$$5 \text{ turnovers wanted } \frac{13.5\% \text{ of annual sales in inventory}}{67.5\%}$$

Ex.: For an average prescription department.

$$\begin{array}{r} \text{Sales } 100 \% \\ \underline{55.4\%} \\ 44.6\% \text{ of annual Rx sales is cost of goods sold} \\ \text{in Rx department} \end{array}$$

$$2 \text{ turnovers average } \frac{22.3\% \text{ of Rx sales in Rx inventory}}{44.6\%}$$

Ex.: For the fountain department.

$$\begin{array}{r} \text{Sales } 100\% \\ \text{Margin } \underline{40\%} \\ 60\% \text{ of annual sales is cost of goods sold} \end{array}$$

$$30 \text{ turnovers } \frac{2\% \text{ of annual fountain sales in fountain inventory}}{60\%}$$

6. All buying

When buying a steady-demand item, see if there is a price-break in the unit price for a larger quantity; and if the unit price for the quantity is adequately lower, and the quantity is reasonably close to that which would be purchased by good business rules, buy the larger quantity.

SOME USEFUL BUYING MAXIMS

1. Buy for the community, not for yourself.
2. If in doubt, allow a proportionate part of total community demand for an item to competitors. (All things being equal, trade tends to divide itself equally among competitors in a trading area.)
3. Profit lies in the bottom of the package (bottle, purchase), therefore buy so that profit can be reached five times a year for the store as a whole (or thirty times for the fountain, two times for the Prescription Department, etc.)
4. It costs money EVERY DAY to heat, dust, light, handle every item in the store. (The druggist, and not the customer, must pay for this expense when it accumulates beyond the amount included in markup.)

average purchase rate for store as a whole:
limit monthly purchases (for entire store) without distinction as to
type of goods) to about 67% of monthly sales. The period of limit may
be extended to three months or quarterly longer, if necessary, but the
rate becomes impractical if the period is shortened to less than a month.

average purchase rate for purchases by entire store, or department, when
average within is known.

Keep the inventory at-hand in the store (or department) as an appropriate
percentage of annual sales in the store or the department.
Ex.: For the store as a whole.

Sales 100
15.25

67.5% of sales is cost of goods sold

13.25 of annual sales in inventory
2 turnover annual 67.5%

Ex.: For an average prescription department.

Sales 100
20.18

67.5% of annual sales is cost of goods sold
in Rx department

22.18 of Rx sales in Rx inventory
2 turnover average 67.5%

Ex.: For the fountain department.

Sales 100
Margin 100

67% of annual sales is cost of goods sold

33% of annual fountain sales in fountain
inventory

6. All buying
When buying a quantity-based item, see if there is a price break in the unit
price for a larger quantity and if the unit price for the quantity is
substantially lower, and the quantity is reasonably close to that which would
be purchased by good business rules, buy the larger quantity.

SOME USEFUL BUYING HINTS

1. Buy for the community, not for yourself.
2. If in doubt, allow a proportionate part of total community demand for an item
to competitors. (All things being equal, goods tends to divide itself equally
among competitors in a trading area.)
3. Profit lies in the bottom of the package (bottle, purchase), therefore buy so
that profit can be reached five times a year for the store as a whole (or
better times for the fountain, two times for the Prescription Department, etc.)
4. It costs money EVERY DAY to have, guard, light, handle every item in the store.
(The freight, and not the customer, must pay for this expense when it accumulates
beyond the amount included in markup.)

5. Fresh stock sells better.
6. Profit comes from selling, not from buying.
7. Turnovers without profit may keep you busy but will not enable you to succeed.
8. How you attract customers is how you keep them.
9. Buy from two wholesalers.
10. Buy goods -- for you sell goods. Don't buy discounts, profit, margins, display cabinets, "friendship", "prestige", etc.

What is the life span of the average city drugstore?

How many non-pharmacy retail outlets are there for each drugstore in the United States?

Is a country drugstore the same as a city drugstore in the latter mentioned, and in the former?

What are the business life under one ownership? How of corner location for the drugstore? Number of wholesalers used as suppliers? Exclusive merchandise agencies selected? Amount of rent paid?

The following question must be answered fully, but will not be graded. It is intended to determine your present concept of drugstore location in a drugstore. This same question will appear in future quizzes and will be graded.

Question: If annual sales in your drugstore reach \$100,000, how much (in the nearest full hundred dollars) would you pay for each of the following drugstore costs or expenses? If you can think better in percentages, fill in the right-hand column rather than the "amounts".

Amount to be paid	Percent of sales to the nearest full percent
\$100,000	100%
1. Rent of the goods sold	
2. Proprietor's salary	
3. Employees' wages	
4. Heat	
5. Light	
6. All other expenses	
7. Total expenses (Items 1 through 6)	
8. Net profit	

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6. Profit comes from selling, not from buying.
7. Turnover without profit may keep you busy but will not enable you to succeed.
8. How you attract customers is how you keep them.
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10. Buy goods — for you sell goods. Don't buy discounts, profits, margins, display assistants, "friendship", "prestige", etc.

<input type="text"/>	%	What percent of the nation's drugstores are classed as professional pharmacies by the Am. College of Apothecaries?
<input type="text"/>		What is the average number of people per drugstore people. in the United States?
<input type="text"/>		How large a clientele is considered necessary to people. support a prescription pharmacy in the U.S.?
<input type="text"/>	%	What percentage of annual sales is due to prescriptions in the average drugstore?
<input type="text"/>		What is the life span of the average city drugstore? years. (Life under one ownership)
<input type="text"/>		How many non-pharmacy retail outlets are there for outlets. each drugstore in the United States?

If a country drugstore EXCEEDS a city drugstore in the matter mentioned, fill in the square.

- | | |
|--------------------------|---|
| <input type="checkbox"/> | Span of business life under one ownership |
| <input type="checkbox"/> | Use of corner location for the drugstore |
| <input type="checkbox"/> | Number of wholesalers used as suppliers |
| <input type="checkbox"/> | Exclusive merchandise agencies maintained |
| <input type="checkbox"/> | Amount of rent paid |

The following question must be answered fully, but will not be graded. It is intended to determine your present concept of cost-distribution in a drugstore. This same question will appear in future quizzes and will be graded.

Question: If annual sales in your drugstore reach \$86,000., how much (to the nearest full hundred dollars) would you pay for each of the following drugstore costs or expenses? If you can think better in percentages, fill in the righthand column rather than the amounts.

Amount to the nearest hundred dollars		Percent of sales to the nearest full percent
\$86,000.	1. Annual sales	100 %
\$	2. Cost of the goods sold.....	%
\$	3. Proprietor's salary.....	%
\$	4. Employees' wages.....	%
\$	5. Rent	%
\$	6. All other expenses.....	%
\$	7. Total expenses (Items 3 thru 6)	%
\$	8. Net profit	%

What percent of the nation's drugstores are classed as professional pharmacies by the Am. College of Apothecaries?
 What is the average number of people per drugstore in the United States?
 How large a clientele is considered necessary to support a prescription pharmacy in the U.S.?
 What percentage of annual sales is due to prescriptions in the average drugstore?
 What is the life span of the average city drugstore?
 (Life under one ownership)
 How many non-pharmacy retail outlets are there for each drugstore in the United States?

If a country drugstore EXCEEDED a city drugstore in the matter mentioned, fill in the square.

Span of business life under one ownership
 Use of corner location for the drugstore
 Number of wholesalers used as suppliers
 Exclusive merchandise agencies maintained
 Amount of rent paid

The following question must be answered fully, but will not be graded. It is intended to determine your present concept of cost-allocation in a drugstore. This same question will appear in future quizzes and will be graded.
 Question: If annual sales in your drugstore reach \$85,000, how much (to the nearest full hundred dollars) would you pay for each of the following drugstore costs or expenses? If you can think better in percentages, fill in the right-hand column rather than the amounts.

Amount to the nearest hundred dollars		Percent of sales to the nearest full percent
1. Annual sales	\$85,000.	100%
2. Cost of the goods sold.....		
3. Proprietor's salary.....		
4. Employees' wages.....		
5. Rent.....		
6. All other expenses.....		
7. Total expenses (Items 2 thru 6)		
8. Net profit.....		

Term examination, November 9, 1949

MANAGEMENT 476

For each drugstore average named below, select the figure that most closely approximates the U.S., 1948 average, as revealed by the Lilly Digest. (Fill in SOLID and NEATLY the square before the figure.)

(1.) Cost of merchandise sold:

- ☐ 61.1% of sales
☐ 65.2% " "
☐ 67.4% " "

(2.) Proprietor's or manager's salary:

- ☐ 5.4% of sales
☐ 6.9% " "
☐ 7.2% " "

(3.) Employees' wages (excluding proprietor's or manager's salary):

- ☐ 9.6% of sales
☐ 10.1% " "
☐ 12.4% " "

(4.) Rent:

- ☐ 5.2% of sales
☐ 3.0% " "
☐ 2.5% " "

(5.) Total expenses:

- ☐ 26.3% of sales
☐ 37.6% " "
☐ 54.6% " "

(6.) Net profit:

- ☐ 6.3% of sales
☐ 7.5% " "
☐ 10.1% " "

What percent of U.S. drugstores are -

- "Professional" (Prescriptions are major portion of sales) ?

- ☐ 1%
☐ 5% (Select one figure)
☐ 10%

- Commercial ?

- ☐ 99%
☐ 95% (Select one figure)
☐ 90%

- "Specialty" (Ex: Homeopathic pharmacy)?

- ☐ .01%
☐ 1.0% (Select one figure)
☐ 3%

As an average, how large a population is necessary for the success of a -

- Commercial drugstore?

- ☐ 2,000 people
☐ 3,000 people
☐ 5,000 people

- "Professional" drugstore?

- ☐ 10,000 people
☐ 20,000 people
☐ 50,000 people

- Homeopathic pharmacy?

- ☐ 50,000 people
☐ 100,000 people
☐ 500,000 people

How many nonpharmacy retail outlets are there for each drugstore in the United States?

- ☐ 15
☐ 25
☐ 45
☐ 65

For each drugstore average named below, select the figure that most closely approximates the U.S. 1948 average, as revealed by the Lilly Digest. (Fill in SOLID and HEAVY the square before the figure)

(1) Cost of merchandise sold:	10.1%	<input type="checkbox"/>
" "	12.4%	<input type="checkbox"/>
" "	15.1%	<input type="checkbox"/>
" "	17.8%	<input type="checkbox"/>
" "	20.5%	<input type="checkbox"/>
(2) Proprietor's or manager's salary:	5.4%	<input type="checkbox"/>
" "	6.8%	<input type="checkbox"/>
" "	8.2%	<input type="checkbox"/>
" "	9.6%	<input type="checkbox"/>
" "	11.0%	<input type="checkbox"/>
(3) Employees' wages (excluding proprietor's or manager's salary):	12.4%	<input type="checkbox"/>
" "	15.1%	<input type="checkbox"/>
" "	17.8%	<input type="checkbox"/>
" "	20.5%	<input type="checkbox"/>
" "	23.2%	<input type="checkbox"/>
(4) Rent:	2.1%	<input type="checkbox"/>
" "	2.8%	<input type="checkbox"/>
" "	3.5%	<input type="checkbox"/>
" "	4.2%	<input type="checkbox"/>
" "	4.9%	<input type="checkbox"/>
(5) Total expenses:	25.3%	<input type="checkbox"/>
" "	27.6%	<input type="checkbox"/>
" "	29.9%	<input type="checkbox"/>
" "	32.2%	<input type="checkbox"/>
" "	34.5%	<input type="checkbox"/>
(6) Net profit:	6.3%	<input type="checkbox"/>
" "	7.7%	<input type="checkbox"/>
" "	9.1%	<input type="checkbox"/>

What percent of U.S. drugstores are -
 "Professional" (Prescriptions are major portion of sales)?
 1% ☐ 5% ☐ 10% ☐ 15% ☐ 20% ☐ 25% ☐ 30% ☐ 35% ☐ 40% ☐ 45% ☐ 50% ☐ 55% ☐ 60% ☐ 65% ☐ 70% ☐ 75% ☐ 80% ☐ 85% ☐ 90% ☐ 95% ☐ 100% ☐

Commercial?
 93% ☐ 94% ☐ 95% ☐ 96% ☐ 97% ☐ 98% ☐ 99% ☐ 100% ☐

Specialty (ex: Homeopathic pharmacy)?
 0.1% ☐ 0.2% ☐ 0.3% ☐ 0.4% ☐ 0.5% ☐ 0.6% ☐ 0.7% ☐ 0.8% ☐ 0.9% ☐ 1.0% ☐ 1.1% ☐ 1.2% ☐ 1.3% ☐ 1.4% ☐ 1.5% ☐ 1.6% ☐ 1.7% ☐ 1.8% ☐ 1.9% ☐ 2.0% ☐ 2.1% ☐ 2.2% ☐ 2.3% ☐ 2.4% ☐ 2.5% ☐ 2.6% ☐ 2.7% ☐ 2.8% ☐ 2.9% ☐ 3.0% ☐ 3.1% ☐ 3.2% ☐ 3.3% ☐ 3.4% ☐ 3.5% ☐ 3.6% ☐ 3.7% ☐ 3.8% ☐ 3.9% ☐ 4.0% ☐ 4.1% ☐ 4.2% ☐ 4.3% ☐ 4.4% ☐ 4.5% ☐ 4.6% ☐ 4.7% ☐ 4.8% ☐ 4.9% ☐ 5.0% ☐ 5.1% ☐ 5.2% ☐ 5.3% ☐ 5.4% ☐ 5.5% ☐ 5.6% ☐ 5.7% ☐ 5.8% ☐ 5.9% ☐ 6.0% ☐ 6.1% ☐ 6.2% ☐ 6.3% ☐ 6.4% ☐ 6.5% ☐ 6.6% ☐ 6.7% ☐ 6.8% ☐ 6.9% ☐ 7.0% ☐ 7.1% ☐ 7.2% ☐ 7.3% ☐ 7.4% ☐ 7.5% ☐ 7.6% ☐ 7.7% ☐ 7.8% ☐ 7.9% ☐ 8.0% ☐ 8.1% ☐ 8.2% ☐ 8.3% ☐ 8.4% ☐ 8.5% ☐ 8.6% ☐ 8.7% ☐ 8.8% ☐ 8.9% ☐ 9.0% ☐ 9.1% ☐ 9.2% ☐ 9.3% ☐ 9.4% ☐ 9.5% ☐ 9.6% ☐ 9.7% ☐ 9.8% ☐ 9.9% ☐ 10.0% ☐

As an average, how large a population is necessary for the success of a -
 Commercial drugstore?
 2,000 people ☐ 3,000 people ☐ 4,000 people ☐ 5,000 people ☐ 6,000 people ☐ 7,000 people ☐ 8,000 people ☐ 9,000 people ☐ 10,000 people ☐ 11,000 people ☐ 12,000 people ☐ 13,000 people ☐ 14,000 people ☐ 15,000 people ☐ 16,000 people ☐ 17,000 people ☐ 18,000 people ☐ 19,000 people ☐ 20,000 people ☐ 21,000 people ☐ 22,000 people ☐ 23,000 people ☐ 24,000 people ☐ 25,000 people ☐ 26,000 people ☐ 27,000 people ☐ 28,000 people ☐ 29,000 people ☐ 30,000 people ☐ 31,000 people ☐ 32,000 people ☐ 33,000 people ☐ 34,000 people ☐ 35,000 people ☐ 36,000 people ☐ 37,000 people ☐ 38,000 people ☐ 39,000 people ☐ 40,000 people ☐ 41,000 people ☐ 42,000 people ☐ 43,000 people ☐ 44,000 people ☐ 45,000 people ☐ 46,000 people ☐ 47,000 people ☐ 48,000 people ☐ 49,000 people ☐ 50,000 people ☐ 51,000 people ☐ 52,000 people ☐ 53,000 people ☐ 54,000 people ☐ 55,000 people ☐ 56,000 people ☐ 57,000 people ☐ 58,000 people ☐ 59,000 people ☐ 60,000 people ☐ 61,000 people ☐ 62,000 people ☐ 63,000 people ☐ 64,000 people ☐ 65,000 people ☐ 66,000 people ☐ 67,000 people ☐ 68,000 people ☐ 69,000 people ☐ 70,000 people ☐ 71,000 people ☐ 72,000 people ☐ 73,000 people ☐ 74,000 people ☐ 75,000 people ☐ 76,000 people ☐ 77,000 people ☐ 78,000 people ☐ 79,000 people ☐ 80,000 people ☐ 81,000 people ☐ 82,000 people ☐ 83,000 people ☐ 84,000 people ☐ 85,000 people ☐ 86,000 people ☐ 87,000 people ☐ 88,000 people ☐ 89,000 people ☐ 90,000 people ☐ 91,000 people ☐ 92,000 people ☐ 93,000 people ☐ 94,000 people ☐ 95,000 people ☐ 96,000 people ☐ 97,000 people ☐ 98,000 people ☐ 99,000 people ☐ 100,000 people ☐

How many nonpharmacy retail outlets are there for each drugstore in the United States?
 15 ☐ 25 ☐ 35 ☐ 45 ☐ 55 ☐ 65 ☐ 75 ☐ 85 ☐ 95 ☐ 105 ☐ 115 ☐ 125 ☐ 135 ☐ 145 ☐ 155 ☐ 165 ☐ 175 ☐ 185 ☐ 195 ☐ 205 ☐ 215 ☐ 225 ☐ 235 ☐ 245 ☐ 255 ☐ 265 ☐ 275 ☐ 285 ☐ 295 ☐ 305 ☐ 315 ☐ 325 ☐ 335 ☐ 345 ☐ 355 ☐ 365 ☐ 375 ☐ 385 ☐ 395 ☐ 405 ☐ 415 ☐ 425 ☐ 435 ☐ 445 ☐ 455 ☐ 465 ☐ 475 ☐ 485 ☐ 495 ☐ 505 ☐ 515 ☐ 525 ☐ 535 ☐ 545 ☐ 555 ☐ 565 ☐ 575 ☐ 585 ☐ 595 ☐ 605 ☐ 615 ☐ 625 ☐ 635 ☐ 645 ☐ 655 ☐ 665 ☐ 675 ☐ 685 ☐ 695 ☐ 705 ☐ 715 ☐ 725 ☐ 735 ☐ 745 ☐ 755 ☐ 765 ☐ 775 ☐ 785 ☐ 795 ☐ 805 ☐ 815 ☐ 825 ☐ 835 ☐ 845 ☐ 855 ☐ 865 ☐ 875 ☐ 885 ☐ 895 ☐ 905 ☐ 915 ☐ 925 ☐ 935 ☐ 945 ☐ 955 ☐ 965 ☐ 975 ☐ 985 ☐ 995 ☐ 1005 ☐ 1015 ☐ 1025 ☐ 1035 ☐ 1045 ☐ 1055 ☐ 1065 ☐ 1075 ☐ 1085 ☐ 1095 ☐ 1105 ☐ 1115 ☐ 1125 ☐ 1135 ☐ 1145 ☐ 1155 ☐ 1165 ☐ 1175 ☐ 1185 ☐ 1195 ☐ 1205 ☐ 1215 ☐ 1225 ☐ 1235 ☐ 1245 ☐ 1255 ☐ 1265 ☐ 1275 ☐ 1285 ☐ 1295 ☐ 1305 ☐ 1315 ☐ 1325 ☐ 1335 ☐ 1345 ☐ 1355 ☐ 1365 ☐ 1375 ☐ 1385 ☐ 1395 ☐ 1405 ☐ 1415 ☐ 1425 ☐ 1435 ☐ 1445 ☐ 1455 ☐ 1465 ☐ 1475 ☐ 1485 ☐ 1495 ☐ 1505 ☐ 1515 ☐ 1525 ☐ 1535 ☐ 1545 ☐ 1555 ☐ 1565 ☐ 1575 ☐ 1585 ☐ 1595 ☐ 1605 ☐ 1615 ☐ 1625 ☐ 1635 ☐ 1645 ☐ 1655 ☐ 1665 ☐ 1675 ☐ 1685 ☐ 1695 ☐ 1705 ☐ 1715 ☐ 1725 ☐ 1735 ☐ 1745 ☐ 1755 ☐ 1765 ☐ 1775 ☐ 1785 ☐ 1795 ☐ 1805 ☐ 1815 ☐ 1825 ☐ 1835 ☐ 1845 ☐ 1855 ☐ 1865 ☐ 1875 ☐ 1885 ☐ 1895 ☐ 1905 ☐ 1915 ☐ 1925 ☐ 1935 ☐ 1945 ☐ 1955 ☐ 1965 ☐ 1975 ☐ 1985 ☐ 1995 ☐ 2005 ☐ 2015 ☐ 2025 ☐ 2035 ☐ 2045 ☐ 2055 ☐ 2065 ☐ 2075 ☐ 2085 ☐ 2095 ☐ 2105 ☐ 2115 ☐ 2125 ☐ 2135 ☐ 2145 ☐ 2155 ☐ 2165 ☐ 2175 ☐ 2185 ☐ 2195 ☐ 2205 ☐ 2215 ☐ 2225 ☐ 2235 ☐ 2245 ☐ 2255 ☐ 2265 ☐ 2275 ☐ 2285 ☐ 2295 ☐ 2305 ☐ 2315 ☐ 2325 ☐ 2335 ☐ 2345 ☐ 2355 ☐ 2365 ☐ 2375 ☐ 2385 ☐ 2395 ☐ 2405 ☐ 2415 ☐ 2425 ☐ 2435 ☐ 2445 ☐ 2455 ☐ 2465 ☐ 2475 ☐ 2485 ☐ 2495 ☐ 2505 ☐ 2515 ☐ 2525 ☐ 2535 ☐ 2545 ☐ 2555 ☐ 2565 ☐ 2575 ☐ 2585 ☐ 2595 ☐ 2605 ☐ 2615 ☐ 2625 ☐ 2635 ☐ 2645 ☐ 2655 ☐ 2665 ☐ 2675 ☐ 2685 ☐ 2695 ☐ 2705 ☐ 2715 ☐ 2725 ☐ 2735 ☐ 2745 ☐ 2755 ☐ 2765 ☐ 2775 ☐ 2785 ☐ 2795 ☐ 2805 ☐ 2815 ☐ 2825 ☐ 2835 ☐ 2845 ☐ 2855 ☐ 2865 ☐ 2875 ☐ 2885 ☐ 2895 ☐ 2905 ☐ 2915 ☐ 2925 ☐ 2935 ☐ 2945 ☐ 2955 ☐ 2965 ☐ 2975 ☐ 2985 ☐ 2995 ☐ 3005 ☐ 3015 ☐ 3025 ☐ 3035 ☐ 3045 ☐ 3055 ☐ 3065 ☐ 3075 ☐ 3085 ☐ 3095 ☐ 3105 ☐ 3115 ☐ 3125 ☐ 3135 ☐ 3145 ☐ 3155 ☐ 3165 ☐ 3175 ☐ 3185 ☐ 3195 ☐ 3205 ☐ 3215 ☐ 3225 ☐ 3235 ☐ 3245 ☐ 3255 ☐ 3265 ☐ 3275 ☐ 3285 ☐ 3295 ☐ 3305 ☐ 3315 ☐ 3325 ☐ 3335 ☐ 3345 ☐ 3355 ☐ 3365 ☐ 3375 ☐ 3385 ☐ 3395 ☐ 3405 ☐ 3415 ☐ 3425 ☐ 3435 ☐ 3445 ☐ 3455 ☐ 3465 ☐ 3475 ☐ 3485 ☐ 3495 ☐ 3505 ☐ 3515 ☐ 3525 ☐ 3535 ☐ 3545 ☐ 3555 ☐ 3565 ☐ 3575 ☐ 3585 ☐ 3595 ☐ 3605 ☐ 3615 ☐ 3625 ☐ 3635 ☐ 3645 ☐ 3655 ☐ 3665 ☐ 3675 ☐ 3685 ☐ 3695 ☐ 3705 ☐ 3715 ☐ 3725 ☐ 3735 ☐ 3745 ☐ 3755 ☐ 3765 ☐ 3775 ☐ 3785 ☐ 3795 ☐ 3805 ☐ 3815 ☐ 3825 ☐ 3835 ☐ 3845 ☐ 3855 ☐ 3865 ☐ 3875 ☐ 3885 ☐ 3895 ☐ 3905 ☐ 3915 ☐ 3925 ☐ 3935 ☐ 3945 ☐ 3955 ☐ 3965 ☐ 3975 ☐ 3985 ☐ 3995 ☐ 4005 ☐ 4015 ☐ 4025 ☐ 4035 ☐ 4045 ☐ 4055 ☐ 4065 ☐ 4075 ☐ 4085 ☐ 4095 ☐ 4105 ☐ 4115 ☐ 4125 ☐ 4135 ☐ 4145 ☐ 4155 ☐ 4165 ☐ 4175 ☐ 4185 ☐ 4195 ☐ 4205 ☐ 4215 ☐ 4225 ☐ 4235 ☐ 4245 ☐ 4255 ☐ 4265 ☐ 4275 ☐ 4285 ☐ 4295 ☐ 4305 ☐ 4315 ☐ 4325 ☐ 4335 ☐ 4345 ☐ 4355 ☐ 4365 ☐ 4375 ☐ 4385 ☐ 4395 ☐ 4405 ☐ 4415 ☐ 4425 ☐ 4435 ☐ 4445 ☐ 4455 ☐ 4465 ☐ 4475 ☐ 4485 ☐ 4495 ☐ 4505 ☐ 4515 ☐ 4525 ☐ 4535 ☐ 4545 ☐ 4555 ☐ 4565 ☐ 4575 ☐ 4585 ☐ 4595 ☐ 4605 ☐ 4615 ☐ 4625 ☐ 4635 ☐ 4645 ☐ 4655 ☐ 4665 ☐ 4675 ☐ 4685 ☐ 4695 ☐ 4705 ☐ 4715 ☐ 4725 ☐ 4735 ☐ 4745 ☐ 4755 ☐ 4765 ☐ 4775 ☐ 4785 ☐ 4795 ☐ 4805 ☐ 4815 ☐ 4825 ☐ 4835 ☐ 4845 ☐ 4855 ☐ 4865 ☐ 4875 ☐ 4885 ☐ 4895 ☐ 4905 ☐ 4915 ☐ 4925 ☐ 4935 ☐ 4945 ☐ 4955 ☐ 4965 ☐ 4975 ☐ 4985 ☐ 4995 ☐ 5005 ☐ 5015 ☐ 5025 ☐ 5035 ☐ 5045 ☐ 5055 ☐ 5065 ☐ 5075 ☐ 5085 ☐ 5095 ☐ 5105 ☐ 5115 ☐ 5125 ☐ 5135 ☐ 5145 ☐ 5155 ☐ 5165 ☐ 5175 ☐ 5185 ☐ 5195 ☐ 5205 ☐ 5215 ☐ 5225 ☐ 5235 ☐ 5245 ☐ 5255 ☐ 5265 ☐ 5275 ☐ 5285 ☐ 5295 ☐ 5305 ☐ 5315 ☐ 5325 ☐ 5335 ☐ 5345 ☐ 5355 ☐ 5365 ☐ 5375 ☐ 5385 ☐ 5395 ☐ 5405 ☐ 5415 ☐ 5425 ☐ 5435 ☐ 5445 ☐ 5455 ☐ 5465 ☐ 5475 ☐ 5485 ☐ 5495 ☐ 5505 ☐ 5515 ☐ 5525 ☐ 5535 ☐ 5545 ☐ 5555 ☐ 5565 ☐ 5575 ☐ 5585 ☐ 5595 ☐ 5605 ☐ 5615 ☐ 5625 ☐ 5635 ☐ 5645 ☐ 5655 ☐ 5665 ☐ 5675 ☐ 5685 ☐ 5695 ☐ 5705 ☐ 5715 ☐ 5725 ☐ 5735 ☐ 5745 ☐ 5755 ☐ 5765 ☐ 5775 ☐ 5785 ☐ 5795 ☐ 5805 ☐ 5815 ☐ 5825 ☐ 5835 ☐ 5845 ☐ 5855 ☐ 5865 ☐ 5875 ☐ 5885 ☐ 5895 ☐ 5905 ☐ 5915 ☐ 5925 ☐ 5935 ☐ 5945 ☐ 5955 ☐ 5965 ☐ 5975 ☐ 5985 ☐ 5995 ☐ 6005 ☐ 6015 ☐ 6025 ☐ 6035 ☐ 6045 ☐ 6055 ☐ 6065 ☐ 6075 ☐ 6085 ☐ 6095 ☐ 6105 ☐ 6115 ☐ 6125 ☐ 6135 ☐ 6145 ☐ 6155 ☐ 6165 ☐ 6175 ☐ 6185 ☐ 6195 ☐ 6205 ☐ 6215 ☐ 6225 ☐ 6235 ☐ 6245 ☐ 6255 ☐ 6265 ☐ 6275 ☐ 6285 ☐ 6295 ☐ 6305 ☐ 6315 ☐ 6325 ☐ 6335 ☐ 6345 ☐ 6355 ☐ 6365 ☐ 6375 ☐ 6385 ☐ 6395 ☐ 6405 ☐ 6415 ☐ 6425 ☐ 6435 ☐ 6445 ☐ 6455 ☐ 6465 ☐ 6475 ☐ 6485 ☐ 6495 ☐ 6505 ☐ 6515 ☐ 6525 ☐ 6535 ☐ 6545 ☐ 6555 ☐ 6565 ☐ 6575 ☐ 6585 ☐ 6595 ☐ 6605 ☐ 6615 ☐ 6625 ☐ 6635 ☐ 6645 ☐ 6655 ☐ 6665 ☐ 6675 ☐ 6685 ☐ 6695 ☐ 6705 ☐ 6715 ☐ 6725 ☐ 6735 ☐ 6745 ☐ 6755 ☐ 6765 ☐ 6775 ☐ 6785 ☐ 6795 ☐ 6805 ☐ 6815 ☐ 6825 ☐ 6835 ☐ 6845 ☐ 6855 ☐ 6865 ☐ 6875 ☐ 6885 ☐ 6895 ☐ 6905 ☐ 6915 ☐ 6925 ☐ 6935 ☐ 6945 ☐ 6955 ☐ 6965 ☐ 6975 ☐ 6985 ☐ 6995 ☐ 7005 ☐ 7015 ☐ 7025 ☐ 7035 ☐ 7045 ☐ 7055 ☐ 7065 ☐ 7075 ☐ 7085 ☐ 7095 ☐ 7105 ☐ 7115 ☐ 7125 ☐ 7135 ☐ 7145 ☐ 7155 ☐ 7165 ☐ 7175 ☐ 7185 ☐ 7195 ☐ 7205 ☐ 7215 ☐ 7225 ☐ 7235 ☐ 7245 ☐ 7255 ☐ 7265 ☐ 7275 ☐ 7285 ☐ 7295 ☐ 7305 ☐ 7315 ☐ 7325 ☐ 7335 ☐ 7345 ☐ 7355 ☐ 7365 ☐ 7375 ☐ 7385 ☐ 7395 ☐ 7405 ☐ 7415 ☐ 7425 ☐ 7435 ☐ 7445 ☐ 7455 ☐ 7465 ☐ 7475 ☐ 7485 ☐ 7495 ☐ 7505 ☐ 7515 ☐ 7525 ☐ 7535 ☐ 7545 ☐ 7555 ☐ 7565 ☐ 7575 ☐ 7

What intangibles would you seek in a person you intended to hire to act as a "contact man" (receives and delivers prescriptions to customers but does not fill them) in a prescription pharmacy? Select one of each set of characteristics.

Age: (While unnecessary, you may if you wish give your reason.)

- ☐ Young
☐ Middle age
☐ Elderly

Action:

- ☐ Quick
☐ Deliberate
☐ Slow

Personality:

- ☐ Pleasant
☐ Neutral
☐ Reserved

Sales talk:

- ☐ "Emotional appealer"
☐ "Scientific appealer"
☐ "Price appealer"

Which of each pair is more appropriate for a prescription department of a pharmacy?(If you wish, give reason.)

- ☐ 1. Silence
☐ 2. Compounding noises
☐ 1. Display of code of ethics
☐ 2. Display of beautiful antique mortar and pestle
☐ 1. "Drugstore odor"
☐ 2. Odorless drugstore
☐ 1. "Thin" window display
☐ 2. "Mass" window display

Which of each pair would generally be a better index of sales potential for a proposed drugstore?(Explain, if you wish.)

- ☐ 1. Types of homes
☐ 2. Number and types of retail outlets
☐ 1. Newspaper issued statistics
☐ 2. Chamber of Commerce statistics
☐ 3. Drug wholesaler issued statistics

Which of each pair of "business" neighbors would, in general, be a better neighbor for a commercial type drugstore? (Explain if you wish.)

- ☐ 1. Theatre(movie)
☐ 2. Church
☐ 1. Real estate office
☐ 2. Shoe repair shop
☐ 1. Tavern
☐ 2. Billboard

For management purposes which of the following are more important as percentages-of-sales than as dollar figures?

- ☐ 1. Sales
☐ 2. Rent
☐ 3. Proprietor's salary(your salary)
☐ 4. Cost of goods sold
☐ 5. Insurance
☐ 6. Profit
☐ 7. Employee wages
☐ 8. Margin

In an isolated town there are two drugstores the owners of which are very secretive about their business figures. There are 3 doctors in the town. How would you determine the percent of the town's prescriptions that are filled in the X pharmacy in which you work and which you intent to buy soon? You are the pharmacist in X drug store. (ANSWER ON THE REVERSE SIDE.)

MANAGEMENT 1970

Name (print) _____

What difficulties would you seek in a person you intended to hire to act as a "contact man" (receiver and deliver prescriptions to customers but does not fill them) in a prescription pharmacy? Select one of each set of characteristics.

(While unnecessary, you may if you wish give your reason.)

Age: _____

Young _____

Middle age _____

Elderly _____

Action: _____

Quick _____

Deliberate _____

Slow _____

Personality: _____

Pleasant _____

Neutral _____

Reserved _____

Sales talk: _____

"Emotional appeal" _____

"Scientific appeal" _____

"Price appeal" _____

Which of each pair is more appropriate for a prescription department? (If you wish, give reason.)

1. Silence _____

2. Compounding noises _____

1. Display of code of ethics _____

2. Display of beautiful antique mortar and pestle _____

1. "Druggist's code" _____

2. Glassless druggist _____

1. "Thin" window display _____

2. "Mass" window display _____

Which of each pair would generally be a better index of sales potential for a proposed druggist? (Explain, if you wish.)

1. Types of homes _____

2. Number and types of retail outlets _____

1. Newspaper issued statistics _____

2. Chamber of Commerce statistics _____

2. Drug wholesaler issued statistics _____

Which of each pair of "business" neighbors would, in general, be a better neighbor for a commercial type druggist? (Explain, if you wish.)

1. Theatre (movie) _____

2. Church _____

1. Real estate office _____

2. Shoe repair shop _____

1. Tavern _____

2. Billiard _____

For management purposes, which of the following are more important as percentages of sales than as dollar figures?

1. Sales _____

2. Rent _____

3. Proprietor's salary (your salary) _____

4. Cost of goods sold _____

5. Insurance _____

6. Profit _____

7. Employee wages _____

8. Utilities _____

In an isolated town there are two druggists the owners of which are very secretive about their business figures. There are 2 doctors in the town. How would you determine the percent of the town's prescriptions that are filled in the X pharmacy in which you work and which you intend to buy soon? You are the pharmacist in X drug store. (ANSWER ON THE REVERSE SIDE.)

Which of the following statements concerning financing, are generally true? (Fill in the "true".)

- ☐ 1. As an employer one receives income from such things as salary, profit, inventory appreciation, interest, and possibly others, but an employee receives only salary.
- ☐ 2. True interest is figured on the available money for use for a full year.
- ☐ 3. More than ninety percent of U.S. business is done on credit.
- ☐ 4. Small business pays the maximum legal interest rate.
- ☐ 5. Cost of delivery truck repairs is an example of use of working capital.
- ☐ 6. Buying a prescription balance is an example of use of working capital.
- ☐ 7. An owner paying himself a salary for work done in his own business is an example of use of venture capital.
- ☐ 8. Borrowed money used to enable sales on credit is an example of the use of working capital.
- ☐ 9. A bank takes a risk in advancing risk capital, but takes no risk in advancing working capital.
- ☐ 10. Interest rates increase with increase in risk.

Which of the following elements make up the "perfect business" formula (when all other facts are equal in any comparison)?

- ☐ 1. Borrow as little as possible.
- ☐ 2. Borrow as much as possible.
- ☐ 3. Mark up goods enough to cover cost, overhead burden, and some profit.
- ☐ 4. Buy only such amounts as can be sold in the credit period.
- ☐ 5. Acquire goods (for resale) on credit.
- ☐ 6. Sell at fair trade minimum prices.
- ☐ 7. Borrow money to take discounts if there is no working capital.
- ☐ 8. Sell for cash.
- ☐ 9. Reinvest all profits.
- ☐ 10. Keep employee wages at a minimum.

List the numbers you have selected above in chronological order (as found in the formula for "perfect business").

--	--	--	--	--	--	--	--	--	--	--	--	--

Which one of the following reasons best describes why opening finance is generally difficult to obtain?

- ☐ 1. There is no past experience to prove the business will be a success.
- ☐ 2. The cost of making small loans is high.
- ☐ 3. Opening capital is used largely for fixed assets.
- ☐ 4. Big business uses up most of the available funds.

Which of the following statements are true? (Fill in for "True".)

- ☐ 1. A mortgage consists of a promissory note and a deed.
- ☐ 2. A good drugstore business has 4 turnovers a year.
- ☐ 3. Percentages cannot be accurately compared unless they represent equal amounts and equal time (both express interest rates).
- ☐ 4. During wartime shortages of goods sold under O.P.A. prices, most invoices offered no discounts for early payment.
- ☐ 5. All investments or loans come out of savings made by someone.
- ☐ 6. Because of our economic institution of private property, business men must have either cash or credit to acquire goods.

NAME _____

Which of the following statements concerning the above is correct?

1. As an employee one receives income from such things as salary, profit, inventory appreciation, interest, and possibly others, but an employee receives only a salary.

1. The interest is figured on the available money for use for a

...from ninety percent of U.S. business is done on credit.

Small business pays the maximum legal interest rate.

...the balance is an example of the working

...the latter paying himself a salary for work done in his own business.

8. The money used to create the credit is an example of the use of working capital.

9. A bank takes a risk in advancing risk capital, but takes no risk in advancing working capital.

10. Interest rates increased in 1988.

for all other factors are equal in any comparison)?

4. Buy only such amounts as can be sold in the credit period.

5. Sell at fair price minimum price.

1. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Interior, for the year ending June 30, 1901.

10. Keep employee weights at a minimum.
List the numbers you have selected above in chronological

1001 20) 12 000

[illegible]

[illegible]

It is generally difficult to obtain
 information on the following reasons that describes why opening finances

1. The cost of making small items is high.

exit via lateral beam at 100m/sec.

the Bill business uses up most of the available funds.

of the following statements are true? (Fill in for

1. A mortgage consists of a promissory note and a deed.
2. A good business man is a successful man.

3. Percentages cannot be accurately compared unless the

CONFIDENTIAL

During wartime shortages of goods sold under U.P.A. prices, most invoices offered no discounts for early payment.

10. Because of our economic inaction of private property, business,

men must have a fair cash or credit to acquire goods.

In each set, which statement shows the best business judgment?

- ☐ 1. The wants of customers determines a drugstore's inventory.
- ☐ 2. Best quality goods and good salesmanship will sell anything.
- ☐ 3. Stock what your competitor carries.
- ☐ 1. Locate your drugstore farthest from a competitor.
- ☐ 2. Locate your drugstore where rent is cheapest.
- ☐ 3. Locate your drugstore nearest your customers.

The best business neighbor is one who-

- ☐ 1. - advertises the most.
- ☐ 2. - has good lighting, good displays, and keeps long hours.
- ☐ 3. - has most people calling at his establishment.

At the moment the following conditions have occurred, does a tenancy-at-will exist in each of the following cases? (Fill in for "Tenancy-at-will exists".)

- ☐ 1. A prospective purchaser of a drugstore saw the lease term of the old owner. There was 4.5 years unexpired. The old owner orally guaranteed the new owner would have this much time before having to make a new lease. The drugstore was purchased by the new owner. The lease contained a clause forbidding assignment.
- ☐ 2. A tenant pays the regular rent (for the 8th consecutive month) after his lease has expired.
- ☐ 3. A tenant sold liquor illegally and was convicted. The tenant's lease forbade the use of the premises for any illegal use. The lease has 6 years of its term unexpired.
- ☐ 4. The tenant made and accepted a 7 year lease on Sunday. The landlord, one month later, gives notice to the tenant that he cancels the lease because he did not know of the Sunday contract law, but will allow the tenant to stay on at a slightly increased rental.
- ☐ 5. A tenancy created with tenant A was orally agreed to last for 10 years, but through oversight, the 10 years was not mentioned in the lease. Tenant A sold the drugstore to B and assigned the lease to B. Tenant B has just made the 6th monthly rental.

Which of the following statements are true? (Fill in for "true".)

- ☐ 1. The rent covenant is an independent covenant.
- ☐ 2. An eviction by the landlord is a defense in an action for rent.
- ☐ 3. A lease term to use the premises "for a retail drugstore" stops the tenant from using the premises exclusively as a restaurant.
- ☐ 4. A landlord may, without affecting the lease, shut off water as a means of enforcing the payment of back rent.
- ☐ 5. A tenant takes the premises under the "caveat emptor" doctrine.
- ☐ 6. A tenant at will is answerable only for permissive waste.
- ☐ 7. "Repairs" are limited to restoration to status quo conditions.
- ☐ 8. A landlord may be a subtenant (tenant of the tenant).
- ☐ 9. A landlord may be his own tenant.
- ☐ 10. A landlord who agrees to make repairs has no obligation to make periodic inspection to determine the need of repairs.
- ☐ 11. A landlord breaches the covenant of quiet enjoyment by prolonged, noisy repairing.
- ☐ 12. When no number is specified, a covenant to grant "renewals" expires after the second renewal of the lease.
- ☐ 13. Any tenancy may be terminated for non payment of rent by a written notice of 14 days.
- ☐ 14. An "ice and snow" covenant generally imposes the duty of removal upon the tenant.
- ☐ 15. A leaseholder has an insurable interest in the premises for fire insurance purposes.

MASSACHUSETTS COLLEGE OF PHARMACY Name _____
 Semester examination, January 11, 1950
 In each set, which statement shows the best business judgment?
 1. The wants of customers determines a druggist's inventory.
 2. Best quality goods and good salesmanship will sell anything.
 3. Stock what your competition carries.
 4. Locate your druggist nearest from a competitor.
 5. Locate your druggist where rent is cheapest.
 6. Locate your druggist nearest your customers.
 7. A business neighbor is one who -
 8. - advertises the most.
 9. - has good lighting, good displays, and keeps long hours.
 10. - has most people calling at his establishment.
 11. At the moment the following conditions have occurred, does a tenancy -
 12. - will exist in each of the following cases? (Fill in for "Tenancy -
 13. - will exist.")
 1. A prospective purchaser of a druggist saw the lease form of the
 old owner. There was 4.5 years unexpired. The old owner orally
 guaranteed the new owner would have this much time before having
 to make a new lease. The druggist was purchased by the new
 owner. The lease contained a clause forbidding assignment.
 2. A tenant pays the regular rent (for the 6th consecutive month)
 after his lease has expired.
 3. A tenant sold liquor illegally and was convicted. The tenant's
 lease forbade the use of the premises for any illegal use. The
 lease has 6 years of its term unexpired.
 4. The tenant made and accepted a 7 year lease on Sunday. The
 landlord, one month later, gives notice to the tenant that he
 considers the lease because he did not know of the Sunday contract
 law, but will allow the tenant to stay on at a slightly in-
 creased rental.
 5. A tenancy created with tenant A was orally agreed to last for
 10 years, but through oversight, the 10 years was not mentioned
 in the lease. Tenant A sold the druggist to B and assigned the
 lease to B. Tenant B has just made the 6th monthly rental.
 6. The following statements are true (Fill in for "true").
 1. The rent covenant is an independent covenant.
 2. An eviction by the landlord is a defense in an action for rent.
 3. A lease term to use the premises "for a retail druggist" stops
 the tenant from using the premises exclusively as a restaurant.
 4. A landlord may, without affecting the lease, shut off water as
 a means of enforcing the payment of back rent.
 5. A tenant takes the premises under the "tenant's doctrine".
 6. A tenant will be answerable only for permissive waste.
 7. "Repairs" are limited to restoration to former conditions.
 8. A landlord may be a subcontract (tenant of the tenant).
 9. A landlord may be his own tenant.
 10. A landlord who agrees to make repairs has no obligation to make
 periodic inspection to determine the need of repairs.
 11. A landlord breaches the covenant of quiet enjoyment by prolonged
 noisy repairing.
 12. When no number is specified, a covenant to grant "renewals"
 expires after the second renewal of the lease.
 13. Any tenancy may be terminated for non payment of rent by a
 written notice of 15 days.
 14. An "ice and snow" covenant generally imposes the duty of removal
 upon the tenant.
 15. A landlord has an insurable interest in the premises for
 fire insurance purposes.

At the end of the month a druggist finds he has no unoccupied working capital. The merchandise invoice from his main supplier amounts to \$1850. for the month. The invoice carries terms of 1/5 N/30. Would the druggist be using good business judgment if he borrowed money from his bank at 6% to take the discount?

amount earned by borrowing to take the discount.

amount of interest paid at the bank when borrowing is for as small an amount as possible and for the shortest time necessary.

(Show all figuring, clearly labeled, in the space below.)

What is the true interest rate paid when the loan contract has the following pertinent terms:

1. "Principal sum of \$400."
2. "Interest of 6% shall be paid at the end of the year."
3. "The loan period shall be one year."
4. "Repayment of principal shall be made in two equal installments, the first on June 30, and the second on Dec.31."

%

is the true interest rate in the problem above.

(Show all figuring, clearly labeled, in the space below.)

MANAGEMENT 478
Name: _____
At the end of the month a druggist finds he has no unoccupied working
space. The merchandise invoice from his main supplier amounts to
\$150.00 for the month. The invoice carries terms of 1/5 N/30.
In the druggist he using good business judgment if he borrowed
money from his bank at 8% to take the discount?

Amount earned by borrowing to take the discount.

Amount of interest paid at the bank when borrowing is
for as small an amount as possible and for the shortest
time necessary.
Show all figuring, clearly labeled, in the space below.)

and is the true interest rate paid when the loan contract has the
following pertinent terms:
1. "Principal sum of \$400."
2. "Interest of 8% shall be paid at the end of the year."
3. "The loan period shall be one year."
4. "Repayment of principal shall be made in two equal instal-
ments, the first on June 30, and the second on Dec. 31."

is the true interest rate in the problem above.
Show all figuring, clearly labeled, in the space below.)

Butler purchased a drugstore having average annual sales of \$48,000. The fixtures were unusually unsightly and inefficient and were carried on the books at \$1. Butler wants to know how much the business can afford to invest in complete remodeling. There is an almost certain expectation that a clean, bright drugstore with new fixtures would increase sales by 12% in this case.

Your estimate of maximum allowable remodeling costs.
(Show figuring clearly LABELED.)

When no written or other agreement exists, which of the following attached pieces of equipment installed by a pharmacist upon leased premises may be moved when he leaves at the termination of his lease?

- | | |
|--------------------------|--------------------------|
| <input type="checkbox"/> | 1. Soda fountain |
| <input type="checkbox"/> | 2. Neon "Drug" sign |
| <input type="checkbox"/> | 3. All-glass door |
| <input type="checkbox"/> | 4. Carboy holder and tip |
| <input type="checkbox"/> | 5. Dish washing machine |
| <input type="checkbox"/> | 6. Sink |

In a drugstore arrangement for merchandising, which of the following departments should be at the front (F) (nearest the entrance) and which at the rear (R) (farthest from the entrance)?

- | | | |
|--------------------------|--------------------------|-----------------------------|
| F | R | |
| <input type="checkbox"/> | <input type="checkbox"/> | 1. Magazines |
| <input type="checkbox"/> | <input type="checkbox"/> | 2. Bar candies |
| <input type="checkbox"/> | <input type="checkbox"/> | 3. Ice cream service tables |
| <input type="checkbox"/> | <input type="checkbox"/> | 4. Telephone booth |
| <input type="checkbox"/> | <input type="checkbox"/> | 5. Cigarettes |
| <input type="checkbox"/> | <input type="checkbox"/> | 6. Bottled liquors |
| <input type="checkbox"/> | <input type="checkbox"/> | 7. Hospital supplies |
| <input type="checkbox"/> | <input type="checkbox"/> | 8. Baby goods |
| <input type="checkbox"/> | <input type="checkbox"/> | 9. Veterinary medicines |
| <input type="checkbox"/> | <input type="checkbox"/> | 10. Greeting cards |

For an average urban drugstore, which of the following of the pair of rules would you consider more useful generally?

- | | |
|--------------------------|---|
| <input type="checkbox"/> | 1. Compact arrangement |
| <input type="checkbox"/> | 1. Spacious arrangement |
| <input type="checkbox"/> | 2. Functional arrangement |
| <input type="checkbox"/> | 2. Beautiful arrangement |
| <input type="checkbox"/> | 3. Counters on one side |
| <input type="checkbox"/> | 3. Counters of both sides |
| <input type="checkbox"/> | 4. Mahogany coloring |
| <input type="checkbox"/> | 4. Blonde coloring |
| <input type="checkbox"/> | 5. Open backed display windows |
| <input type="checkbox"/> | 5. Opaque backed windows |
| <input type="checkbox"/> | 6. Self service island counter |
| <input type="checkbox"/> | 6. Clerk service hollow island counter |
| <input type="checkbox"/> | 7. Fully open prescription department |
| <input type="checkbox"/> | 7. Fully closed prescription department |

NAME _____
 BUTLER purchased a drugstore having average current sales of \$125,000. The fixtures were unusually carefully and intelligently and were carried on the books at \$1. Butler wants to know how much the business can afford to invest in complete remodeling. There is an almost certain expectation that a clean, bright drugstore with new fixtures would increase sales by 15% in this case.

Your estimate of maximum allowable remodeling costs.
 (Show lighting clearly labeled.)

When no written or other agreement exists, which of the following attached places of equipment installed by a pharmacist upon leased premises may be moved when he leaves at the termination of his lease?

- 1. Soda fountain
- 2. Neon "Drug" sign
- 3. All-glass door
- 4. Carboy holder and tip
- 5. Dish washing machine
- 6. Sink

In a drugstore arrangement for merchandising, which of the following departments should be at the front (F) (nearest the entrance) and which at the rear (R) (farthest from the entrance)?

- 1. Magazines
- 2. Toy shelves
- 3. Ice cream service tables
- 4. Telephone booth
- 5. Cigarettes
- 6. Bottled liquors
- 7. Hospital supplies
- 8. Baby goods
- 9. Veterinary medicines
- 10. Greeting cards

For an average urban drugstore, which of the following of the pair below would you consider more useful generally?

- 1. Compact arrangement
- 1. Functional arrangement
- 2. Beautiful arrangement
- 3. Counters on one side
- 3. Counters of both sides
- 4. Monogramy coloring
- 4. Placid coloring
- 5. Open backed display windows
- 5. Opaque backed windows
- 6. Self service island counter
- 6. Clerk service hollow island counter
- 7. Fully open prescription department
- 7. Fully closed prescription department

Term examination, March 15, 1950

(page 1) MANAGEMENT 476

In the absence of contract terms establishing the ownership of the following items brought upon and attached to the premises by a tenant, which items belong to the tenant and may be removed by him when he vacates the premises? (Fill in for "This item may be removed by tenant")

- ☐ 1. Soda fountain and carbonator (latter located in the basement).
- ☐ 2. Glass enclosed display windows.
- ☐ 3. A balcony built to house the prescription department.
- ☐ 4. A tile floor.
- ☐ 5. An emulsion machine, bolted to the floor.
- ☐ 6. An all-glass front door. (Old door to be replaced.)
- ☐ 7. A duct-type airconditioning system.
- ☐ 8. Fountain service-booths and tables.
- ☐ 9. A neon advertising sign attached to outside wall.
- ☐ 10. Wall cases which are attached by bolts and screws and nails.

From front to back, what are the three sections of a drug store called (for purposes of drug store arrangement)?

- 1. _____ goods section.
- 2. _____ goods section.
- 3. _____ goods section.

When the general rules of drug store arrangement are applied to an average drug store, which of the following departments are located in the area farthest from the entrance? (Fill in for "located in the rear".)

- ☐ 1. Prescription department.
- ☐ 2. Magazines and periodicals
- ☐ 3. Bottled liquors (Sold under a "Drug store packaged goods license")
- ☐ 4. Cameras and supplies.
- ☐ 5. Soda fountain.
- ☐ 6. Veterinary medicines.
- ☐ 7. Telephone booths.
- ☐ 8. Fountain service-booths and tables.
- ☐ 9. Boxed candies.
- ☐ 10. Hospital supplies.

Must the owner or owners register under the "True name statute" in each of the following instances? (Fill in for "Must register real name".)

- ☐ Brown's Pharmacy - owned by Jones and Brown.
- ☐ Smyth Drug Store - owned by John Smith.
- ☐ M. Hill Apothecary - owned by divorcee, Mrs. Martin Hill
- ☐ London Prescription Laboratory - owned by P. London Wilson.

Concerning "cost of fixtures", what is "average" for the average drug store in each of the following? (Use a single figure rather than a range in each case.)

- ☐ percent of annual sales goes to depreciation of fixtures.
- ☐ percent of average annual sales determines the total value of fixtures which the business can afford.
- ☐ years is the life expectancy of all fixtures (combined).

As soleowner, a druggist, on the basis of operating figures of a very successful past, purchased fixtures much too expensive for current and future needs of his drug store. He nevertheless insists on staying in business. Since the depreciation must be met annually, which of the following items must now "pay" the depreciation expense - in order - until the full amount is "paid"? (Number the applicable items of the following list in the order in which they are used up in the payment of the annual fixture-depreciation expense.)

- ☐ Profit
- ☐ Owner's equity in the drug store
- ☐ Workers' wages
- ☐ Overhead expense allocated to depreciation
- ☐ Owner's salary
- ☐ Equity of the owner in his home
- ☐ Taxes

WASHBURN'S COLLIER OF PHARMACY
 15, 1950
 (Page 1) MANAGEMENT
 The absence of contract terms establishing the ownership of the
 following items brought upon and attached to the premises by a tenant,
 which items belong to the tenant and may be removed by him when he
 vacates the premises? (Fill in for "this item may be removed by tenant")
 1. Soda fountain and carbonator (later located in the basement).
 2. Glass enclosed display windows.
 3. A balcony built to house the prescription department.
 4. A tile floor.
 5. An emulsion machine, bolted to the floor.
 6. An all-glass front door. (Old door to be replaced.)
 7. A dust-type air conditioning system.
 8. Fountain service-booths and tables.
 9. A neon advertising sign attached to outside wall.
 10. Wall cases which are attached by bolts and screws and nails.

from front to back, what are the three sections of a drug store called
 for purposes of drug store arrangement?
 1. Goods section.
 2. Goods section.
 3. Goods section.

Then the general rules of drug store arrangement are applied to an
 average drug store, which of the following departments are located in
 the area farthest from the entrance? (Fill in for "located in the rear".)
 1. Prescription department.
 2. Vaccines and periodicals.
 3. Bottled liquids (sold under a "Drug store packaged goods license").
 4. Cancer and supplies.
 5. Soda fountain.
 6. Veterinary medicine.
 7. Telephone booth.
 8. Fountain service-booths and tables.
 9. Boxed candies.
 10. Medical supplies.

What is the owner of owner's register under the "True name statute" in
 each of the following instances? (Fill in for "What register real name".)
 1. Brown's Pharmacy - owned by Jones and Brown.
 2. White's Store - owned by John Smith.
 3. Hill's Apothecary - owned by Alvin Lee, Mrs. Martin Hill.
 4. Green's Prescription Laboratory - owned by P. London Wilson.

Describe the "cost of fixtures", what is "average" for the average
 drug store in each of the following? (Use a single figure rather than
 a range in answers.)
 1. Percent of annual sales goes to depreciation of fixtures.
 2. Percent of average annual sales determines the total value of
 fixtures which the business can afford.
 3. Years is the life expectancy of all fixtures (combined).

As a pharmacist, a druggist, or the basis of operating figures of a very
 successful drug business, which of the following items are most
 and future needs of his drug store. He nevertheless insists on staying
 in business. Since the depreciation must be met annually, which of the
 following items must now "pay" the depreciation expense - in order -
 until the full amount is "paid"? (Number the applicable items of the
 following list in the order in which they are used up in the payment
 of the annual fixture-depreciation expense.)
 1. Profit
 2. Owner's equity in the drug store
 3. Owner's wages
 4. Overhead expense allocated to depreciation
 5. Owner's salary
 6. Equity of the owner in his home
 7. Taxes

Term examination, March 15, 1950

(page 2) MANAGEMENT 476

For the purposes of the problems below, assume that all involved fire insurance contracts (on drug store fixtures, equipment and merchandise) have the following stipulations:

1. Premium rate per thousand ... \$ 15.
2. "Reduced rate" per thousand ... \$ 10.
3. Policy period One year
4. Type of coverage Blanket
5. Reinstatement terms Automatic, contract rate, to original insured amount.
6. Special term Fire losses of less than 5% of insurance carried are fully covered.

PROBLEM I. With contract stipulations as listed above, and with additional facts as follows, how much will the druggist collect?

Value of insurable property \$ 35,000.
 Both coinsurance clauses 80%
 Insurance carried with Company A .. \$ 4,000.
 Insurance carried with Company B .. \$ 15,000.
 Fire loss (at midyear) \$ 18,000.

- \$ -Liability of Company A before deduction of reinstatement premium.
 \$ -Reinstatement premium charged by Company A.
 \$ -Amount collected from Company A by druggist-insured.

(Show here all figuring for Company A. Label clearly.)

- \$ -Liability of Company B before deduction of reinstatement premium.
 \$ -Reinstatement premium charged by Company B.
 \$ -Amount collected from Company B by druggist-insured.

(Show here all figuring for Company B. Label clearly.)

- \$ -Total amount collected by the druggist from Company A and Company B.

PROBLEM II. With contract stipulations as listed at the top of the page and the following facts, how much will the druggist collect?

Value of insurable property \$ 10,000.
 Coinsurance clause 70%
 Insurance carried \$ 12,000.
 Fire loss Total
 Reinstatement terms Canceled

- \$ -Amount collected by the druggist.

(Use reverse side for figuring.)

MASSACHUSETTS COLLEGE OF PHARMACY
 Date examination, March 15, 1950
 (Page 2) NAME: MARY ANN
 478
 For the purpose of the problems below, assume that all involved life insurance contracts (on any state, federal, equipment and merchandise) have the following stipulations:

1. Premium rate per thousand . . . \$ 15.
2. Reduced rate per thousand . . . \$ 10.
3. Policy period . . . One year.
4. Type of coverage . . . Blanket.
5. Reinstatement terms . . . Automatic, contract rate, to original insured amount.
6. Special term . . . Fire losses of less than 25% of insurance carried are fully covered.
7. With contract stipulations as listed above, and with additional facts as follows, how much will the druggist collect?

Value of insurable property . . . \$ 35,000.
 Both co-insurance clauses . . . 80%
 Insurance carried with Company A . . . \$ 4,000.
 Insurance carried with Company B . . . \$ 15,000.
 Fire loss (at midyear) . . . \$ 18,000.

Liability of Company A before deduction of reinstatement premium.
 Reinstatement premium charged by Company A.
 Amount collected from Company A by druggist-insured.
 Show here all figuring for Company A. Label clearly.)

Liability of Company B before deduction of reinstatement premium.
 Reinstatement premium charged by Company B.
 Amount collected from Company B by druggist-insured.
 Show here all figuring for Company B. Label clearly.)

Total amount collected by the druggist from Company A and Company B.
 Problem 11. With contract stipulations as listed at the top of the page and the following facts, how much will the druggist collect?
 Value of insurable property . . . \$ 10,000.
 Co-insurance clause . . . 70%
 Insurance carried . . . \$ 12,000.
 Fire loss . . . Total
 Reinstatement terms . . . Cancelled
 Amount collected by the druggist.

Show here all figuring for Company B. Label clearly.)

When the purchase of a drug store amounts to "buying a job for myself", what two types of income does the owner-manager receive?

1. _____
2. _____

By inserting the proper figures, complete the "quick-check" rules used to determine the reasonableness of the asking price for a drug store. "UNDER NORMAL CONDITIONS, THE PRICE OF AN AVERAGE DRUG STORE SHOULD APPROXIMATE - (use single figure rather than a range)

- | | |
|----------------------|--|
| <input type="text"/> | days of average daily sales." |
| <input type="text"/> | percent of average annual sales." |
| <input type="text"/> | percent capitalization of average net profit." |
| <input type="text"/> | times the average annual net profit." |

Determine the offering price for a drug store business when the forecasts and statistics are as follows:

Buyer's forecasts: Stable-business-life expectancy..... 8.5 years
Good will value in terms of profit 1.5 years
Expected normal interest rate(10 years) 5%

Drug store statistics: Average annual sales \$ 82,000.
Fixtures, fountain(depreciated) ... \$ 8,000.
Merchandise, supplies \$ 13,000.
Liabilities to be assumed \$ 1,000.
Average net profit 6%

Asking price for drug store (cash) \$ 30,000.

-Asking price for good will.(Show figuring clearly labeled.)

-Buyer's estimate of the value of the good will.
(Show figuring clearly labeled.)

-Buyer's offering price as determined by the "bookkeeping formula method" of evaluating a drug store.(Label figuring.)

Bookkeeping formula is: _____

By inserting the proper figures, complete the "quick-check" rules used
 to determine the reasonableness of the asking price for a drug store.
 UNDER NORMAL CONDITIONS, THE PRICE OF AN AVERAGE DRUG STORE SHOULD
 APPROXIMATE - (use single figure rather than a range)
 days of average daily sales."
 percent of average annual sales."
 percent capitalization of average net profit."
 times the average annual net profit."

Determine the offering price for a drug store business when the fol-
 lowing statistics are as follows:
 Buyer's forecasts: Stable-business-life expectancy..... 8.5 years
 Good will value in terms of profit 1.5 years
 Expected normal interest rate (10 years) .. 5%
 Drug store statistics:
 Average annual sales \$ 25,000.
 Fixtures, furniture (depreciated) ... \$ 8,000.
 Merchandise, supplies \$ 13,000.
 Liabilities to be assumed \$ 1,000.
 Average net profit 6%
 Asking price for drug store (cash) \$ 30,000.
 Asking price for good will. (Show figuring clearly labeled.)

Buyer's estimate of the value of the good will.
 (Show figuring clearly labeled.)

Buyer's offering price as determined by the "bookkeeping
 formula method" of evaluating a drug store. (Label figuring.)
 Bookkeeping formula is:

By inserting the appropriate NUMBER in the answer square, identify the insurance that provides some protection to the druggist in each of the following instances. Key:

1. Fire insurance
2. Workmen's compensation insurance
3. Public liability insurance
4. Druggist's liability insurance
5. "No insurance for the risk is listed above"

- #
- ☐ Through a roof leak, heavy rains damage stored merchandise
 - ☐ Water from a fireman's hose played upon an adjoining building damages stock in the drug store which is not afire
 - ☐ Delivery of the wrong prescription causes injury
 - ☐ An employee strikes and injures a child found stealing candy from the drug store counter
 - ☐ The delivery boy is injured while making a delivery of a Rx
 - ☐ A free drug sample furnished without charge by a drug manufacturer, and given by the druggist to a customer as a gift, injures the customer because a particle of glass was imbedded in the drug. The druggist is sued.
 - ☐ A person taking a "short cut" through the store having two entrances on different streets, falls over a box left in the aisle by a drug store employee

If a Massachusetts druggist does not carry workmens compensation insurance and an employee is injured while at work and seeks compensation by legal means, which of the following apply?

- ☐ 1. The claimed damages must not exceed the schedule amounts found in the law (workmens compensation insurance law)
- ☐ 1a. The employee may sue for any amount he thinks necessary for compensation
- ☐ 2. At the trial, the employer may not set up the common law defenses
- ☐ 2a. The employer may use common law defenses to protect his interest

The Lilly Digest (Progress Report for 1949 on 318 drug stores) reveals one figure of each pair. The other figure is the Lilly Digest figure for 1948. Fill in the answer square before each 1949 Progress Report figure.

- ☐ \$69,571. Total sales
- ☐ 86,059. " "
- ☐ \$12,112. Inventory at end of the year
- ☐ 11,654. " " " " " "
- ☐ 32.6 % Gross margin
- ☐ 30.3 % " "
- ☐ 27.1 % Total expenses
- ☐ 26.3 % " "
- ☐ 3.2 % Net profit
- ☐ 6.2 % " "
- ☐ \$ 5,910. Proprietor's salary
- ☐ \$ 5,462. " "

Which one of the following definitions is generally applied to the term "price break" in purchasing as "In buying, watch for the price break"?

- ☐ 1. A lucky special purchase at a very low price
- ☐ 2. A manufacturer's reduction in an established list price
- ☐ 3. A discounted price given regularly for a quantity purchase

In general, if a choice was possible, which one of the three figures would a business man select as the "break-even point" for his business?

- ☐ 100 %
- ☐ 95 %
- ☐ 50 %

WHY?

5. "No insurance for the risk is listed
4. Druggist's liability insurance
3. Public liability insurance
2. Workmen's compensation insurance
1. Fire insurance

the drug store manager
in employee notices and features a child taking candy from
Delivery of the wrong prescription caused injury
atook in the drug store which is not a
Water from a fireman's hose played upon an adjoining building damages
Through a roof leak heavy rains damage stored merchandise

The drugstore is sued.
customer because a bottle of glass was imbedded in the drug.
and given by the druggist to a customer as a gift, injures the
A free drug sample furnished without charge by a drug manufacturer,
the delivery boy is injured while making a delivery of a Rx

and an employee is injured while at work and seeks compensation by the following:

1. The claimed damages must not exceed the actual amounts found in the law (workmen compensation insurance law)

2. The employee may sue for any amount he thinks necessary for compensation

1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	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1. A lucky special purchase at a very low price
2. A manufacturer's reduction in an established list price
3. A discounted price given regularly for a quantity purchase

What is the single-figure equivalent of a series discount of 10%, 3% and 2%? Show all figuring clearly labeled.

The eight-store derived averages of a recent survey (1948 figures, independent retail drug stores) shows the following:

Prescription department sales \$ 14,421.
Rx department gross margin 7,987. - 55.4 %
Rx department net profits 1,625. - 11.7 %
Rx department annual turnover 2 times

What is the cost-of-goods-sold in the prescription dept.?
(Show all figuring clearly labeled.)

What is the value at cost of the average Rx dept. inventory?
(Show all figuring clearly labeled.)

The same survey provides derived figures for the fountain department as follows:

Fountain department sales \$ 22,230.
Fount. dept. gross margin 8,954. - 40. %
Fount. dept. net profit 1,048. - 4.7 %
Fount. dept. av. turnover rate 31 times

What is the cost-of-goods-sold in the fountain department?
(Show all figuring clearly labeled.)

What is the value at cost of the average fountain inventory?
(Show all figuring clearly labeled.)

On the basis of the above two sets of figures and your answers, make a pertinent observation from the viewpoint of -
- a purchasing agent for the drug store

- an investor in the drug store business (but not as a pharmacist)

- as a pharmacist with professional pharmacy in mind

The right-store derived averages of a recent survey (1958 figures)
 independent retail drug stores) shows the following:
 Prescription department sales \$1,181,181
 RX department gross margin 7,000,000 - 25.4%
 RX department net profit 1,000,000 - 11.7%
 RX department annual turnover 3 times
 What is the cost-of-goods-sold in the prescription dept?
 (Show all figuring clearly labeled.)

What is the value at cost of the average RX dept. inventory
 (Show all figuring clearly labeled.)

The same survey revealed figures for the fountain department as
 follows:
 Fountain department sales \$22,000,000
 Fountain department gross margin 8,000,000 - 36.4%
 Fountain department net profit 1,000,000 - 4.5%
 Fountain department annual turnover 4 times
 What is the cost-of-goods-sold in the fountain department?
 (Show all figuring clearly labeled.)

What is the value at cost of the average fountain inventory
 (Show all figuring clearly labeled.)

The basis of the above two sets of figures and your answers, make a
 statement observation from the viewpoint of -
 merchandising aspect for the drug store

an investor in the drug store business (but not as a pharmacist)

as a pharmacist with professional pharmacy training

In general, which of each pair is the better rule to follow in the average drug store when the item concerned has a fairly uniform rate of sale? (All other factors being equal.)

- ☐ Don't buy less than can be sold in the vendor-granted credit period
- ☐ Don't buy less than was sold last year
- ☐ Don't buy more than a three-month supply
- ☐ Don't buy more than an amount yielding five turnovers a year
- ☐ Buy the complete line - in a display case if possible
- ☐ Buy according to last year's sales
- ☐ If customers complain about price, change to another cheaper brand
- ☐ If customers complain about price, buy smaller sized units

Since merchandise bears more risks than money, which rule is generally best for the average pharmacist drugstore owner to follow?

- ☐ 1. Keep investment in money form as long as possible
- ☐ 2. Convert money to goods and goods to money as frequently as possible
- ☐ 3. Anticipate the profit to be earned during the year and withdraw monthly one-twelfth of this amount and invest it in sound stocks or bonds

(Select the correct answer in each pair.) In Massachusetts by law, employees -

- ☐ - must be paid at least once a month
- ☐ - must be paid at least once a week
- ☐ - must receive not less than \$ 22.50 a week if non-professional selling personnel
- ☐ - must receive not less than 65 cents an hour (same persons)
- ☐ - must receive the minimum wage or more for a 40 hour (plus or minus 10%) a week
- ☐ - must receive the minimum wage or more for a 48 hour week
- ☐ - Must receive 75 cents an hour for overtime work if non-professional selling personnel
- ☐ - must receive 55 cents an hour for overtime (same persons)

In general, incentive wage plans are difficult to use in the average drug store for which of the following reasons?

- ☐ 1. Sales vary greatly from week to week
- ☐ 2. Personnel of an average drug store must perform both selling and non-selling duties and thus unfairness may arise
- ☐ 3. The owner has not adequate knowledge weekly or annually of his costs and expenses in both dollar and percentage forms

What three elements are found in every effective executive's plan for dealing with hired personnel? Give one word answers.

- 1. _____
- 2. _____
- 3. _____

What is the Massachusetts average prescription price as revealed by the 1949 M.C.P. Survey of new prescriptions filled in the state?

\$ _____

What is the most common form of medication (ointments, capsules, etc.)?

_____ is most common form of medication in Massachusetts.

...of each pair is the better rate to follow in the
 ...when the item concerned has a fairly uniform rate
 ... (All other factors being equal.)
 ...than can be sold in the vendor-granted credit period
 ...was sold last year.
 ...a three-month supply.
 ...than an amount yielding five percent a year
 ...in a display case is possible
 ...to last year's sales
 ...to another cheaper brand
 ...at a lower price, say smaller sized units
 ...more than money, which is generally
 ...for the average pharmacist's operation, which is to follow
 ...in money form as long as possible
 ...to goods and goods to money as frequently as
 ...possible
 ...the profit to be earned during the year and withdrawn
 ...monthly one-twelfth of this amount and invest it in sound stocks
 ...or bonds

...the correct answer is each pair.) In handwritten by law.
 ...employees
 ...must be paid at least once a month
 ...must be paid at least once a week
 ...must receive not less than \$22.50 a week if non-professional
 ...selling personnel
 ...must receive not less than 65 cents an hour (same persons)
 ...must receive the minimum wage or more for a 40 hour (plus on
 ...minus 10%) a week
 ...must receive the minimum wage or more for a 48 hour week
 ...must receive 75 cents an hour for overtime work if non-profession-
 ...of selling personnel
 ...must receive 50 cents an hour for overtime (same persons)
 ...in general, incentive wage plans are difficult to use in the average
 ...store for which of the following reasons?
 1. Sales vary greatly from week to week
 2. Personnel of an average drug store must perform both selling
 and non-selling duties and have different skill levels
 3. The owner has not adequate knowledge of the work or efficiency of his
 costs and expenses in both selling and non-selling forms
 ...three elements are found in every effective incentive plan for
 selling with hired personnel? Give one for each.

...is the Massachusetts average prescription price as revealed by
 ...of new prescriptions filled in the state?
 ...is the most common form of medication (tablets, capsules, etc.)?
 ...is most common form of medication in Massachusetts?

MASSACHUSETTS COLLEGE OF PHARMACY Name _____ # _____
 To determine collection by insured under a "reduced rate" or "co-insurance" clause fire policy, follow this standardized procedure:
 STEP 1. (Apply the formula:)

$$\frac{\text{Insurance CARRIED}}{\text{Insurance REQUIRED}} \times \text{LOSS} = \text{COLLECTION}$$

STEP 2. (Apply the rule which is applicable.)

Collected amount will be the smallest amount as determined by the following four rules:

- # 1. Not in excess of actual loss.
- # 2. Not in excess of policy amount.
- # 3. Not in excess of co-insurance formula. (5% exception)
- # 4. Not in excess of insurer's share of loss.

Facts common to all the following problems are:

- 1. Value of insurable property \$ 10,000.
- 2. All fire insurance policies have an 80% clause
- 3. Losses under 5% of insurance carried are fully covered.
- 4. Reduced rate premium per thousand, per year \$ 10.
- 5. Type of coverage in all policies Blanket
- 6. All fire losses are sustained at the midyear. (Policies are for one year)
- 7. Automatic reinstatement.

Prob. #	Additional facts:		Figure for the following:				
	Amount of insurance carried. \$	Fire loss. \$	Formula amount of recovery. \$	# of the rule used	Collectable amount as determined by rule.	Reinstate-ment prem-ium deduct-ed. \$	Amount received by the insured.
1.	4,000.	4,000.	2,000.	3	2,000.	$\frac{20}{2} = 10.$	\$1,990.
2.	4,000.	6,000.					
3.	4,000.	8,000.					
4.	4,000.	9,000.					
5.	4,000.	10,000.					
6.	8,000.	2,000.					
7.	8,000.	9,000.					
8.	6,000.	9,000.					
9.	3,000.	50.					
10.	Co. A 8,000.	6,000.					
	Co. B 8,000.						
11.	Co. A 4,000.	8,000.					
	Co. B 8,000.						
12.	Co. A 2,000.	9,000.					
	Co. B 6,000.						
13.	Co. A 4,000.	10,000.					
	Co. B 4,000.						

MANAGEMENT #476

Determine the requested offering prices for a drug store business when the buyer's forecasts and the business statistics are as follows and all fractions of a year are figured on a year of 365 days:

BUYER'S FORECASTS:

Stable-business-life expectancy 9.5 years
Good will evaluation in terms of profit ... 1.5 years
Expected average salary as owner-manager .. \$ 4,500.
Expected average interest rate(10 year forecast). 5%

DRUG STORE STATISTICS:

Average annual sales(last 7 years)..... \$ 80,000.
Fixtures(current depreciated value)..... 3,500.
Fountain(" " ")..... 4,000.
Equipment(" " ")..... 200.
Accounts receivable(at depreciated value)..... 500.
Merchandise and supplies 13,000.
Liabilities to be assumed by buyer 1,000.
Owner-manager's salary,in terms of sales 6%
Average net profit 6%
Asking price for the drug store business(cash). \$ 30,000.

TO SUPPORT ALL ANSWERS BELOW, SHOW ALL FIGURING, CLEARLY LABELED, ON AN ACCOMPANYING SHEET.

1. \$ The asking price for good will.
2. \$ The buyer's estimated value of good will.
3. \$ Buyer's offering price figured by the "100 days method".
4. \$ Buyer's offering price figured by the " 20% capitalization method".
5. \$ Buyer's offering price figured by the "Bookkeeping equation method" when the buyer expects to have only salary as income from the business for the first 1.5 years.
6. \$ Buyer's offering price figured by the "Bookkeeping equation method" when the buyer expects both a salary, and interest on his investment in the business, as income for the first 1.5 years of ownership.
7. \$ Buyer's offering price figured as an average of answers 3, 4, and 5 (above).

If the seller of the drug store has been operating on borrowed cash and has been paying interest for the past 7 years, which interest was listed in his profit and loss statements, should this fact increase or decrease the offering price as figured in #6 above?

☐ Increase WHY?
☐ Decrease

QUESTIONS OF A YEAR ARE FIGURED ON A YEAR OF 365 DAYS

BUYER'S FORECASTS:

Good will evaluation in terms of profit 1.1.3 years
Expected average salary of buyer-manager 1.1.3 years
Expected average interest rate (1 year forecast) 1.1.3 years

DRUG STORE STATISTICS:

Asking price for the drug store business (cash) 2.50.00
Average net profit 1.1.3 years
Owner-manager's salary in terms of sales 1.1.3 years
Liabilities to be assumed by buyer 1.1.3 years
Merchandise and supplies 1.1.3 years
Accounts receivable (as depreciated value) 1.1.3 years
Equipment 1.1.3 years
Furniture 1.1.3 years
Average annual sales last 7 years 1.1.3 years
Average annual sales last 3 years 1.1.3 years

TO SUPPORT AND ANSWER BELOW, SHOW ALL FIGURES, CLEARLY Labeled, ON THE COMPANY'S SHEET.

The asking price for food will.

The buyer's estimated value of food will.

Buyer's offering price figured by the "100 days method".

Buyer's offering price figured by the "100 days method".

Buyer's offering price "figured by the 'bookkeeping question method' when the buyer expects to have only salary as income from the business for the first 1.5 years.

Buyer's offering price figured by the "bookkeeping question method" when the buyer expects both a salary, and interest on his investment in the business, as income for the first 1.5 years of ownership.

Buyer's offering price figured as an average of answers 3, 4, and 5 (above).

The seller of the drug store has been operating on borrowed money and has been paying interest for the past 7 years, which interest is added to his profit and loss statement, should this fact increase or decrease the offering price as figured in #3 above?

Why?

Increase ☐ Decrease ☐

SHOW ALL FIGURING. LABEL EVERYTHING CLEARLY. TRANSFER ANSWERS.

1. Figuring for the "ASKING PRICE FOR GOOD WILL".

2. Figuring for "THE BUYER'S ESTIMATED VALUE OF GOOD WILL".

3. Figuring for "BUYER'S OFFERING PRICE BY 100 DAYS METHOD".

4. Figuring for "BUYER'S OFFERING PRICE BY CAPITALIZATION METHOD".

5. Figuring for "BUYER'S OFFERING PRICE BY BOOKKEEPING EQUATION METHOD" when only salary is taken as income by buyer.

6. Figuring for "OFFERING PRICE BY BOOKKEEPING METHOD" when both salary and interest on investment are expected during years profit is surrendered toward good will payment.

MANAGEMENT 478
NAME
FIRM
ADDRESS
CITY
STATE
ZIP

1. FIRMING FOR "BUYER'S OFFERING PRICE BY 100 DAYS METHOD"

2. FIRMING FOR "BUYER'S OFFERING PRICE BY CAPITALIZATION METHOD"

3. FIRMING FOR "BUYER'S OFFERING PRICE BY BOOK VALUE METHOD"

4. FIRMING FOR "BUYER'S OFFERING PRICE BY BOOK VALUE METHOD" when both salary and interest on investment are expected during years profit is surrendered toward good will payment.

5. FIRMING FOR "BUYER'S OFFERING PRICE BY BOOK VALUE METHOD" when both salary and interest on investment are expected during years profit is surrendered toward good will payment.

SOME SOLUTIONS FOR THE DRUG-STORE-BUYING PROBLEM.

	(1)	(2)	(3)	(4)	(5)
	OFFERING PRICES for the drug store.	Price as PERCENT of av. ANNUAL SALES. (\$80000.)	Number of DAYS of av. SALES equal to the price. (\$219.18)	Price equals av. net PROFIT CAPITAL- IZED at:	Number of YEARS of av. net PROFIT (\$4800. equal to the price.
"Equipment" -----	\$ 200.	.25 %	.9 days	2400. %	.04 year
"Accounts receivable" 500.		.63	2.3	960.	.10
"Fixtures"----- 3500.		4.4	15.9	137.	.73
"Fountain"----- 4000.		5.	18.5	120.	.83
One year's net profit 4800.		6. %	21.9	100. %	1.00 year
\$5000.		6.25	22.8	96.	1.04
6000.		7.5	27.4	80.	1.25
7000.		8.75	31.9	68.6	1.46
Good will (Buyer's)-- 7200.		9.	32.8	66.6	1.50 years
"Fixtures & Fountain" 7500.		9.4	34.2	64.	1.56
Total assets (no g.w.) 7700.		9.6	35.1	62.3	1.60
8000.		10. %	36.5	60. %	1.66
9000.		11.25	41.1	53.3	1.87
Two years' net profit 9600.		12.	43.8	50. %	2.00 years
Good will (Seller's)- 9800.		12.25 %	44.7	48.9	2.04
\$10000.		12.5	45.6	48. %	2.08
11000.		13.75	50.2	43.6	2.29
12000.		15. %	54.8	40. %	2.50 years
"Wdse. inventory" ---- 13000.		16.25	59.3	36.9	2.71
14000.		17.5	63.9	34.3	2.92
Three years' net profit 14400.		18.	65.7	33.3	3.00 years
\$15000.		18.75	68.4	32. %	3.13
16000.		20. %	72.9	30. %	3.33
17000.		21.25	77.6	28.2	3.54
17534.		21.9	80. days	27.4	3.65
17778.		22.2	81.1	27. %	3.70
18000.		22.5	82.1	26.6	3.75
18462.		23.1	84.2	26. %	3.85
18630.		23.3	85. days	25.8	3.88
19000.		23.75	86.7	25.3	3.96
Four years' profit -- 19200.		24. %	87.6	25. %	4.00 years
19726.		24.6	90. days	24.3	4.11
\$20000.		25. %	91.3	24. %	4.16
20800.		26. %	94.9	23.1	4.33
20322.		26.3	95. days	23.1	4.34
20870.		26.1	95.2	23. %	4.35
21000.		26.25	95.8	22.9	4.38
Total assets (no g.w.) 21200.		26.5	96.7	22.6	4.42
21600.		27. %	98.6	22.2	4.50 years
21818.		27.3	99.5	22. %	4.55
100 days' sales ----- 21918.		27.4	100. days	21.9	4.57
22000.		27.5	100.4	21.8	4.58
22400.		28. %	102.2	21.4	4.67
22857.		28.6	104.3	21. %	4.76
23000.		28.75	104.9	20.9	4.79
23014.		28.8	105. days	20.9	4.79
23200.		29. %	105.9	20.7	4.83
(20% capitalization)- 24000.		30. %	109.5	20. %	5.00 years
(also, 5 yrs' profit) 24110.		30.1	110. days	19.9	5.02
24439.		30.6	111.5	19.6	5.09
24800.		31. %	113.1	19.4	5.09
\$25000.		31.2	114.	19.2	5.21

(1)		(2)		(3)		(4)		(5)	
OFFERING PRICES		PRICE AS PERCENT		NUMBER OF DAYS		NUMBER OF YEARS		NUMBER OF YEARS	
for the drug store		ANNUAL SALES		the price		PROFIT		PROFIT	
100000		100000		100000		100000		100000	
2500		2500		2500		2500		2500	
2500		2500		2500		2500		2500	
2500		2500		2500		2500		2500	
2500		2500		2500		2500		2500	
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2500		2500							

	(1)	(2)	(3)	(4)	(5)
	\$25206.	31.5 %	115. days	19.1 %	5.25 years
	25263.	31.6	115.3	19. %	5.26
(See answer #6)-----	25345.	31.7	115.6	18.9	5.28
	25600.	32. %	116.8	18.8	5.33
	26000.	32.5	118.6	18.5	5.42
	26302.	32.9	120. days	18.3	5.48
	26400.	33. %	120.5	18.18	5.50 years
	26667.	33.3 %	121.7	18. %	5.55
	27000.	33.75	125.2	17.8	5.62
	27200.	34. %	124.1	17.7	5.66
	27398.	34.25	125. days	17.5	5.71
(See answer #5)-----	27400.	34.3	125.	17.5	5.71
	28000.	35. %	127.8	17.1	5.83
	28235.	35.3	128.8	17. %	5.83
	28493.	35.6	130. days	16.9	5.94
Six years' profit ---	28800.	36. %	131.4	16.7	6.00 years
	29000.	36.25	132.3	16.6	6.04
	29600.	37. %	135. days	16.2	6.04
	\$30000.	37.5	136.9	16. %	6.25
	30400.	38. %	138.7	15.8	6.33
Asking price -----	31000.	38.75	141.4	15.5	6.45
	32000.	40. %	146.	15. %	6.67
	33000.	41.25	150.6 days	14.5	6.87
	34000.	42.5	155.1	14.1	7.08 years
	34286.	42.9	156.4	14. %	7.14
	\$35000.	43.8	160. days	13.7	7.29
	36000.	45. %	164.3	13.3	7.50 years
	36923.	46.2	168.5	13. %	7.69
	37000.	46.25	168.8	12.9	7.70
	38000.	47.5	173.4	12.9	7.91
	39000.	48.75	177.9	12.3	7.92 years
	\$40000.	50. %	182.5	12. %	8.33
	43636.	54.6	199.1	11. %	9.09 years
	44000.	55. %	200.8 days	10.9	9.16
	\$45000.	56.25	205.3	10.7	9.37
	48000.	60. %	219.	10. %	10.00 years
	\$50000.	62.5	228.1	9.6	10.41
	52000.	65. %	237.3	9.2	10.83
One year's sales ----	\$80000.	100. %	365. days	6. %	16.67 years
	96000.	120.	438.	5. %	20.00 years
	\$120000.	150.	547.5	4. %	25.00 years

Bookkeeping method: NET WORTH :: ASSETS - LIABILITIES

Fixtures	\$ 3500.	\$ 3500.
Fountain	4000.	4000.
Equipment	200.	200.
Accounts receivable..	500.	500.
Merchandise	13000.	13000.
LISTED ASSETS.....	21200.	21200.
Good will	4800. (1 yr. profit)	7200. (1 1/2 yr. profit)
TOTAL ASSETS.....	26000.	28400.
DEDUCT liabilities...	1000.	1000.
NET WORTH	\$25000.	\$27400.

These offering prices allow the new owner only SALARY (the same salary old owner drew) for the period during which profit is surrendered in payment of good will. If interest on investment is desired by new owner in addition to salary, the prices above are reduced thus:

(25000.x5%xl year)	(27400.x5%xl.5 years)
- 1250.	-2055.
\$23750.	\$25345.

(1)	(2)	(3)	(4)	(5)
12.1	12.1	12.1	12.1	12.1
12.2	12.2	12.2	12.2	12.2
12.3	12.3	12.3	12.3	12.3
12.4	12.4	12.4	12.4	12.4
12.5	12.5	12.5	12.5	12.5
12.6	12.6	12.6	12.6	12.6
12.7	12.7	12.7	12.7	12.7
12.8	12.8	12.8	12.8	12.8
12.9	12.9	12.9	12.9	12.9
13.0	13.0	13.0	13.0	13.0
13.1	13.1	13.1	13.1	13.1
13.2	13.2	13.2	13.2	13.2
13.3	13.3	13.3	13.3	13.3
13.4	13.4	13.4	13.4	13.4
13.5	13.5	13.5	13.5	13.5
13.6	13.6	13.6	13.6	13.6
13.7	13.7	13.7	13.7	13.7
13.8	13.8	13.8	13.8	13.8
13.9	13.9	13.9	13.9	13.9
14.0	14.0	14.0	14.0	14.0
14.1	14.1	14.1	14.1	14.1
14.2	14.2	14.2	14.2	14.2
14.3	14.3	14.3	14.3	14.3
14.4	14.4	14.4	14.4	14.4
14.5	14.5	14.5	14.5	14.5
14.6	14.6	14.6	14.6	14.6
14.7	14.7	14.7	14.7	14.7
14.8	14.8	14.8	14.8	14.8
14.9	14.9	14.9	14.9	14.9
15.0	15.0	15.0	15.0	15.0
15.1	15.1	15.1	15.1	15.1
15.2	15.2	15.2	15.2	15.2
15.3	15.3	15.3	15.3	15.3
15.4	15.4	15.4	15.4	15.4
15.5	15.5	15.5	15.5	15.5
15.6	15.6	15.6	15.6	15.6
15.7	15.7	15.7	15.7	15.7
15.8	15.8	15.8	15.8	15.8
15.9	15.9	15.9	15.9	15.9
16.0	16.0	16.0	16.0	16.0
16.1	16.1	16.1	16.1	16.1
16.2	16.2	16.2	16.2	16.2
16.3	16.3	16.3	16.3	16.3
16.4	16.4	16.4	16.4	16.4
16.5	16.5	16.5	16.5	16.5
16.6	16.6	16.6	16.6	16.6
16.7	16.7	16.7	16.7	16.7
16.8	16.8	16.8	16.8	16.8
16.9	16.9	16.9	16.9	16.9
17.0	17.0	17.0	17.0	17.0
17.1	17.1	17.1	17.1	17.1
17.2	17.2	17.2	17.2	17.2
17.3	17.3	17.3	17.3	17.3
17.4	17.4	17.4	17.4	17.4
17.5	17.5	17.5	17.5	17.5
17.6	17.6	17.6	17.6	17.6
17.7	17.7	17.7	17.7	17.7
17.8	17.8	17.8	17.8	17.8
17.9	17.9	17.9	17.9	17.9
18.0	18.0	18.0	18.0	18.0
18.1	18.1	18.1	18.1	18.1
18.2	18.2	18.2	18.2	18.2
18.3	18.3	18.3	18.3	18.3
18.4	18.4	18.4	18.4	18.4
18.5	18.5	18.5	18.5	18.5
18.6	18.6	18.6	18.6	18.6
18.7	18.7	18.7	18.7	18.7
18.8	18.8	18.8	18.8	18.8
18.9	18.9	18.9	18.9	18.9
19.0	19.0	19.0	19.0	19.0
19.1	19.1	19.1	19.1	19.1
19.2	19.2	19.2	19.2	19.2
19.3	19.3	19.3	19.3	19.3
19.4	19.4	19.4	19.4	19.4
19.5	19.5	19.5	19.5	19.5
19.6	19.6	19.6	19.6	19.6
19.7	19.7	19.7	19.7	19.7
19.8	19.8	19.8	19.8	19.8
19.9	19.9	19.9	19.9	19.9
20.0	20.0	20.0	20.0	20.0

These offering prices allow the new owner only (the same salary
 old owner drew) for the period during which profit is surrendered in
 payment of good will. If interest on investment is desired by new owner
 in addition to salary, the prices above are reduced thus:

(20000 x 5% x 1 year) = 1000
 - 1000
 19000

(20000 x 5% x 2 years) = 2000
 - 2000
 18000

(20000 x 5% x 3 years) = 3000
 - 3000
 17000

(20000 x 5% x 4 years) = 4000
 - 4000
 16000

(20000 x 5% x 5 years) = 5000
 - 5000
 15000

(20000 x 5% x 6 years) = 6000
 - 6000
 14000

(20000 x 5% x 7 years) = 7000
 - 7000
 13000

(20000 x 5% x 8 years) = 8000
 - 8000
 12000

(20000 x 5% x 9 years) = 9000
 - 9000
 11000

(20000 x 5% x 10 years) = 10000
 - 10000
 10000

(20000 x 5% x 11 years) = 11000
 - 11000
 9000

(20000 x 5% x 12 years) = 12000
 - 12000
 8000

(20000 x 5% x 13 years) = 13000
 - 13000
 7000

(20000 x 5% x 14 years) = 14000
 - 14000
 6000

(20000 x 5% x 15 years) = 15000
 - 15000
 5000

(20000 x 5% x 16 years) = 16000
 - 16000
 4000

(20000 x 5% x 17 years) = 17000
 - 17000
 3000

(20000 x 5% x 18 years) = 18000
 - 18000
 2000

(20000 x 5% x 19 years) = 19000
 - 19000
 1000

(20000 x 5% x 20 years) = 20000
 - 20000
 0

PERCENT OF THE YEAR EXPRESSED AS NUMBER OF DAYS

1% - 3.65 days	51% - 186.15 days
2 7.30	52 189.80
3 10.95	53 193.45
4 14.60	54 197.10
5 18.25	55 200.75
6 21.90	56 204.40
7 25.55	57 208.05
8 29.20	58 211.70
9 32.85	59 215.35
10% - 36.50 days	60% - 219.00 days
11 40.15	61 222.65
12 43.80	62 226.30
13 47.45	63 229.95
14 51.10	64 233.60
15 54.75	65 237.25
16 58.40	66 240.90
17 62.05	67 244.55
18 65.70	68 248.20
19 69.35	69 251.85
20% - 73.00 days	70% - 255.50 days
21 76.65	71 259.15
22 80.30	72 262.80
23 83.95	73 266.45
24 87.60	74 270.10
25 91.25	75 273.75
26 94.90	76 277.40
27 98.55	77 281.05
28 102.20	78 284.70
29 105.85	79 288.35
30% - 109.50 days	80% - 292.00 days
31 113.15	81 295.65
32 116.80	82 299.30
33 120.45	83 302.95
34 124.10	84 306.60
35 127.75	85 310.25
36 131.40	86 313.90
37 135.05	87 317.55
38 138.70	88 321.20
39 142.35	89 324.85
40% - 146.00 days	90% - 328.50 days
41 149.65	91 332.15
42 153.30	92 335.80
43 156.95	93 339.45
44 160.60	94 343.10
45 164.25	95 346.75
46 167.90	96 350.40
47 171.55	97 354.05
48 175.20	98 357.70
49 178.85	99 361.35
50% - 182.50 days	100% 365.00 days

EXPIRATION OF THE YEAR EXPRESSED AS NUMBER OF DAYS

DEPARTMENT OF BUSINESS ADMINISTRATION, MASSACHUSETTS COLLEGE OF PHARMACY

NUMBER OF DAYS EXPRESSED AS A PERCENT OF THE YEAR

DAYS	%	DAYS	%	DAYS	%	DAYS	%	DAYS	%	DAYS	%	DAYS	%
1	.27	56-15.34		110-30.14		166-45.48		221-60.55		277-75.89		331-90.68	
2	.54	57 15.62		111 30.41		167 45.75		222 60.82		278 76.16		332 90.96	
3	.82	58 15.89		112 30.68		168 46.03		223 61.10		279 76.44		333 91.23	
4	1.10	59 16.16		113 30.96		169 46.30		224 61.37		280-76.71		334 91.51	
5	1.37	60-16.44		114 31.23		170-46.58		225 61.64		281 76.99		335 91.78	
6	1.64	61 16.71		115 31.51		171 46.85		226 62.47		282 77.26		336 92.05	
7	1.92	62 16.99		116 31.78		172 47.12		227 62.19		283 77.53		337 92.33	
8	2.19	63 17.26		117 32.05		173 47.40		228 62.47		284 77.81		338 92.60	
9	2.47	64 17.53		118 32.33		174 47.67		229 62.74		285 78.08		339 92.88	
10	2.74	65 17.81		119 32.60		175 47.94		230-63.01		286 78.36		340-93.15	
11	3.01	66 18.08		120-32.88		176 48.22		231 63.29		287 78.63		341 93.42	
12	3.28	67 18.36		121 33.15		177 48.49		232 63.56		288 73.90		342 93.70	
13	3.56	68 18.63		122 33.42		178 48.77		233 63.84		289 79.18		343 93.97	
14	3.84	69 18.90		123 33.70		179 49.04		234 64.11		290-79.45		344 94.25	
15	4.11	70-19.18		124 33.97		180-49.31		235 64.38		291 79.73		345 94.52	
16	4.38	71 19.45		125 34.25		181 49.59		236 64.66		292 80.00		346 94.79	
17	4.66	72 19.73		126 34.52		182 49.86		237 64.93		293 80.27		347 95.07	
18	4.93	73 20.00		127 34.79		183 50.14		238 65.20		294 80.55		348 95.34	
19	5.21	74 20.27		128 35.07		184 50.41		239 65.48		295 80.82		349 95.62	
20	5.48	75 20.55		129 35.34		185 50.68		240-65.75		296 81.10		350-95.89	
21	5.75	76 20.82		130-35.62		186 50.96		241 66.03		297 81.37		351-96.16	
22	6.03	77 21.10		131 35.89		187 51.23		242 66.30		298 81.64		352 96.44	
23	6.30	78 21.37		132 36.16		188 51.51		243 66.57		299 81.92		353 96.71	
24	6.58	79 21.64		133 36.44		189 51.78		244 66.85		300-82.19		354 96.99	
25	6.85	80-21.92		134 36.71		190-52.05		245 67.12		301 82.46		355 97.26	
26	7.12	81 22.19		135 36.99		191 52.33		246 67.40		302 82.74		356 97.53	
27	7.40	82 22.47		136 37.26		192 52.60		247 67.67		303 83.01		357 97.81	
28	7.67	83 22.74		137 37.53		193 52.88		248 67.94		304 83.29		358 98.08	
29	7.95	84 23.01		138 37.81		194 53.15		249 68.22		305 83.56		359 98.36	
30	8.22	85 23.29		139 38.08		195 53.42		250-68.49		306 83.84		360-98.63	
31	8.49	86 23.56		140-38.36		196 53.70		251 68.77		307 84.11		361 98.90	
32	8.77	87 23.84		141 38.63		197 53.97		252 69.04		308 84.38		362 99.18	
33	9.04	88 24.11		142 38.90		198 54.25		253 69.31		309 84.66		363 99.45	
34	9.31	89 24.38		143 39.18		199 54.52		254 69.59		310-84.93		364 99.73	
35	9.59	90-24.66		144 39.45		200-54.79		255 69.86		311 85.20		365-100.00	
36	9.86	91 24.93		145 39.73		201 55.07		256 70.14		312 85.48			
37	10.14	92 25.21		146 40.00		202 55.34		257 70.41		313 85.75			
38	10.41	93 25.48		147 40.27		203 55.62		258 70.68		314 86.03			
39	10.68	94 25.75		148 40.55		204 55.89		259 70.96		315 86.30			
40	10.96	95 26.03		149 40.82		205 56.16		260-71.23		316 86.57			
41	11.23	96 26.30		150-41.10		206 56.44		261 71.50		317 86.85			
42	11.51	97 26.58		151 41.37		207 56.71		262 71.78		318 87.12			
43	11.78	98 26.85		152 41.64		208 56.99		263 72.05		319 87.40			
44	12.05	99 27.12		153 41.92		209 57.26		264 72.33		320-87.67			
45	12.33	100-27.40		154 42.19		210-57.53		265 72.60		321 87.94			
46	12.60	101 27.67		155 42.47		211 57.81		266 72.88		322 88.22			
47	12.88	102 27.94		156 42.74		212 58.08		267 73.15		323 88.49			
48	13.15	103 28.22		157 43.01		213 58.36		268 73.42		324 88.77			
49	13.42	104 28.49		158 43.29		214 58.63		269 73.70		325 89.04			
50	13.70	105 28.77		159 43.56		215 58.90		270-73.97		326 89.31			
51	13.97	106 29.04		160-43.84		216 59.18		271 74.25		327 89.59			
52	14.25	107 29.31		161 44.11		217 59.45		272 74.52		328 89.86			
53	14.52	108 29.59		162 44.38		218 59.73		273 74.79		329 90.14			
54	14.79	109 29.86		163 44.66		219 60.00		274 75.07		330-90.41			
55	15.07			164 44.93		220-60.27		275 75.34					
				165 45.21				276-75.62					

NUMBER OF DAYS

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100

MASSACHUSETTS COLLEGE OF PHARMACY

REFRESHER COURSE

May 1950

Raymond A. Gosselin

THE MASSACHUSETTS COLLEGE OF PHARMACY
PRESCRIPTION SURVEY, 1949

The following is a condensed report of the findings of the second Massachusetts College of Pharmacy Prescription Survey conducted by the Department of Business Administration. The tables that follow show the results of the survey for the state of Massachusetts and for cities and towns in five population groups. Comparison tables showing Massachusetts findings for 1947 and 1949 are also provided. These clearly show the changes which have taken place in prescription averages and statistics since 1947.

The 1949 survey was conducted according to the general plan developed in the survey carried out in 1947. A total of 5,136 new prescriptions taken from 107 drugstores located throughout the state were studied and classified in the course of this project.

The drugstores from which the prescriptions were selected were chosen on the basis of a stratified - random sample. Individual stores were selected at random from within five population strata in proportion to the total drugstore distribution within each strata. The data collected for each group was then combined and averages and statistics for the entire state were computed.

Prescriptions were taken equally from the four quarters of the year to moderate seasonal influences. Refilled prescriptions were purposely excluded so that the statistics derived from this survey would be indicative of the types of prescriptions written in 1949 only. As a result of this sampling procedure, identical comparisons with the 1947 survey are possible. Comparisons with earlier M.C.P. surveys, which although of a more restricted nature, enable certain definite longer-term prescription trends to be observed.

The Department of Business Administration wishes to publicly thank the retail druggists of the state of Massachusetts for their fine cooperation in allowing us to copy prescriptions from their files and in assisting in other ways. The success of a project of this scope is directly attributable to just such cooperation.

Massachusetts College of Pharmacy Prescription Survey for 1947 & 1949
by R. A. Gosselin and J. W. Goodness of the Dept. of Business Admin.

THE MASSACHUSETTS COLLEGE OF PHARMACY
PRESCRIPTION SURVEY, 1949

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The 1949 survey was conducted according to the general plan developed in the survey carried out in 1947. A total of 2,130 new prescriptions taken from 107 drugstores located throughout the state were studied and classified in the course of this project.

The drugstores from which the prescriptions were selected were chosen on the basis of a stratified - random sample. Individual stores were selected at random from within five population strata in proportion to the total drugstore distribution within each stratum. The data collected for each group was then combined and averages and statistics for the entire state were computed.

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MASSACHUSETTS COLLEGE OF PHARMACY
PRESCRIPTION SURVEY, 1949

POPULATION GROUPS:

A.....	Massachusetts (State totals)
B.....	Over 500,000 (Boston)
C.....	100,000 to 500,000
D.....	50,000 to 100,000
E.....	10,000 to 50,000
F.....	Under 10,000

CLASSIFICATION	A	B	C	D	E	F
1. R INGREDIENTS:						
Proprietary items, solely	61.8%	59.9%	63.3%	62.8%	61.7%	61.9%
Mixed (proprietary and non-proprietary.)	<u>8.0</u>	<u>7.9</u>	<u>7.2</u>	<u>8.6</u>	<u>8.8</u>	<u>6.9</u>
Total R's containing proprietaries	69.8	67.8	70.5	71.4	70.5	68.8
Non-proprietary items, solely	30.2	32.2	29.5	28.6	29.5	31.2
2. NUMBER OF INGREDIENTS:						
One	79.7%	80.2%	79.0%	79.3%	79.4%	80.8%
Two	10.6	10.4	11.2	8.8	10.9	11.3
Three	5.2	4.9	4.6	5.4	5.7	4.9
Four	2.8	3.0	2.6	3.7	2.8	2.1
Five	1.2	1.0	1.8	2.1	0.8	0.6
Six	0.4	0.5	0.6	0.7	0.1	0.3
Seven	0.1	- -	0.2	- -	0.3	- -
3. FORMS OF MEDICATION:						
Tablets	40.9%	43.3%	39.7%	42.4%	41.5%	35.7%
Liquids	26.6	26.1	27.3	26.3	25.3	29.6
Capsules	9.4	8.9	10.5	7.8	8.9	11.6
Drops	7.6	7.8	6.4	9.0	7.7	7.0
Ointments	6.2	6.2	5.3	5.8	6.9	6.4
Powders	1.2	1.8	1.1	0.7	1.0	1.3
Sprays	0.8	0.8	0.6	0.8	1.1	0.3
Suppositories	0.5	0.5	0.6	0.4	0.6	0.3
Ampules	0.5	0.2	0.2	0.9	0.5	0.9
Pills	0.3	0.2	0.6	0.6	0.3	0.2
All others	6.0	4.2	7.7	5.3	6.2	6.7

**MASSACHUSETTS COLLEGE OF PHARMACY
PRESCRIPTION SURVEY, 1949**

Tables, Page 1

POPULATION GROUPS:

- A.....Massachusetts (State totals)
- B.....Over 500,000 (Boston)
- C.....100,000 to 500,000
- D.....50,000 to 100,000
- E.....10,000 to 50,000
- F.....Under 10,000

CLASSIFICATION		A	B	C	D	E	F
1. BY INGREDIENTS:							
Proprietary items, solely		61.8%	58.9%	63.3%	65.8%	61.7%	61.9%
Mixed (proprietary and non-proprietary)		8.0%	1.9%	7.2%	8.6%	8.8%	6.9%
Total R's containing proprietary		69.8%	60.8%	70.5%	74.4%	70.5%	68.8%
Non-proprietary items, solely		30.2%	39.2%	29.2%	28.6%	29.5%	31.2%
2. NUMBER OF INGREDIENTS:							
One		19.7%	19.0%	19.0%	19.3%	19.1%	20.8%
Two		19.6%	10.4%	11.2%	8.8%	10.9%	11.3%
Three		2.2%	1.9%	4.6%	2.4%	2.7%	4.9%
Four		2.8%	3.0%	2.9%	3.7%	2.8%	2.1%
Five		1.2%	1.0%	1.8%	2.1%	0.8%	0.6%
Six		0.4%	0.2%	0.6%	0.7%	0.1%	0.3%
Seven		0.1%	-	0.2%	-	0.3%	-
3. FORMS OF MEDICATION:							
All others		6.0%	1.2%	7.7%	2.3%	6.2%	6.7%
Pills		6.7%	0.2%	0.6%	0.6%	0.3%	0.2%
Amules		0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Suppositories		0.2%	0.2%	0.0%	0.4%	0.6%	0.3%
Sprays		0.8%	0.8%	0.6%	0.8%	1.1%	0.3%
Powders		1.2%	1.8%	1.1%	0.7%	1.0%	1.3%
Ornaments		6.2%	6.2%	2.3%	2.8%	6.9%	6.4%
Drops		7.0%	7.8%	6.4%	9.0%	7.7%	7.0%
Capsules		9.4%	8.9%	10.2%	7.8%	8.9%	11.6%
Liquids		26.0%	26.1%	27.3%	26.3%	25.3%	29.6%
Tablets		40.3%	43.3%	39.7%	42.1%	41.2%	32.7%

A.....Massachusetts (State totals)
B.....Over 500,000 (Boston)
C.....100,000 to 500,000
D.....50,000 to 100,000
E.....10,000 to 50,000
F.....Under 10,000

CLASSIFICATION	A	B	C	D	E	F
4. COMPOUNDING:						
Required	19.8%	19.4%	19.9%	20.3%	20.2%	18.9%
Not Required	80.2	80.6	80.1	79.7	79.8	81.1
5. COMPOUNDING REQUIRED BY QUARTERS OF THE YEAR:						
First quarter	23.8%	22.0%	24.2%	25.0%	25.8%	20.2%
Second quarter	21.3	21.7	18.7	19.4	21.1	26.8
Third quarter	15.7	15.3	15.9	16.1	17.4	11.9
Fourth quarter	18.5	18.7	21.0	20.6	16.4	16.7
6. COMPOUNDING REQUIRED FOR THE COMMON FORMS OF MEDICATION:						
Liquids	45.5%	44.7%	46.2%	45.5%	49.6%	37.7%
Drops	41.5	43.6	31.3	41.5	39.8	55.3
Ointments	21.6	21.6	24.1	26.2	22.4	11.6
Capsules	8.5	10.2	9.4	5.4	6.6	10.3
Tablets	0.5	0.8	0.5	0.3	0.3	0.4
7. PRESCRIPTIONS CONTAINING:						
Narcotics	17.1%	17.8%	13.8%	19.3%	17.5%	17.4%
Barbiturates	11.9	12.6	11.9	11.8-	11.7	11.5
Vitamins	10.1	9.3	10.1	9.6	11.1	9.8
Sulfonamides	9.1	9.5	10.0	9.3	8.3	8.5
Penicillin	7.8	7.5	6.9	7.5	8.4	8.8
Antihistaminics	5.8	5.1	4.9	4.2	7.0	7.6
Hormones	4.3	3.9	4.7	4.3	4.9	2.8
+Antibiotics	1.9	1.4	2.0	1.3	2.6	1.6
(+Antibiotics other than penicillin)						

A	Massachusetts (State totals)
B	Over 500,000 (Boston)
C	100,000 to 500,000
D	50,000 to 100,000
E	10,000 to 50,000
F	Under 10,000

CLASSIFICATION		A	B	C	D	E	F
COMPOUNDING:		Required 80.5	Required 80.0	Required 80.1	Required 80.3	Required 80.5	Required 81.1
COMPOUNDING REQUIRED BY QUARTERS OF THE YEAR:		First quarter 23.8	First quarter 23.0	First quarter 21.5	First quarter 22.0	First quarter 22.8	First quarter 20.3
		Second quarter 21.3	Second quarter 21.7	Second quarter 21.0	Second quarter 21.4	Second quarter 21.1	Second quarter 20.8
		Third quarter 18.7	Third quarter 18.3	Third quarter 18.0	Third quarter 18.1	Third quarter 17.4	Third quarter 17.9
		Fourth quarter 18.5	Fourth quarter 18.7	Fourth quarter 21.0	Fourth quarter 20.0	Fourth quarter 18.4	Fourth quarter 18.7
COMPOUNDING REQUIRED FOR THE COMMON FORMS OF MEDICATION:		Liquids 12.5	Liquids 14.7	Liquids 10.3	Liquids 12.5	Liquids 13.0	Liquids 37.7
		Drops 11.5	Drops 13.0	Drops 11.3	Drops 11.5	Drops 11.5	Drops 22.3
		Ornaments 21.0	Ornaments 21.0	Ornaments 21.1	Ornaments 20.2	Ornaments 22.4	Ornaments 11.0
		Capsules 8.5	Capsules 10.2	Capsules 9.4	Capsules 5.4	Capsules 0.0	Capsules 10.3
		Tablets 0.5	Tablets 0.8	Tablets 0.5	Tablets 0.3	Tablets 0.3	Tablets 0.4
PRESCRIPTIONS CONTAINING:		Narcotics 17.1	Narcotics 17.8	Narcotics 13.8	Narcotics 19.3	Narcotics 17.5	Narcotics 17.1
		Barbiturates 11.9	Barbiturates 13.0	Barbiturates 11.9	Barbiturates 11.0	Barbiturates 11.7	Barbiturates 11.5
		Vitamins 20.1	Vitamins 20.3	Vitamins 10.1	Vitamins 20.0	Vitamins 11.1	Vitamins 20.0
		Sulfonamides 2.1	Sulfonamides 2.5	Sulfonamides 10.0	Sulfonamides 2.3	Sulfonamides 8.3	Sulfonamides 8.5
		Penicillin 7.0	Penicillin 7.5	Penicillin 6.9	Penicillin 7.7	Penicillin 8.4	Penicillin 8.8
		Antihistamines 5.0	Antihistamines 5.1	Antihistamines 1.9	Antihistamines 4.5	Antihistamines 7.0	Antihistamines 7.0
		Hormones 1.3	Hormones 3.9	Hormones 1.7	Hormones 4.3	Hormones 1.9	Hormones 2.0
		Antibiotics 1.9	Antibiotics 1.4	Antibiotics 2.0	Antibiotics 1.3	Antibiotics 2.0	Antibiotics 1.0

PRESCRIPTION SURVEY, 1949

POPULATION GROUPS:

A.....	Massachusetts (State totals)
B.....	Over 500,000 (Boston)
C.....	100,000 to 500,000
D.....	50,000 to 100,000
E.....	10,000 to 50,000
F.....	Under 10,000

CLASSIFICATION	A	B	C	D	E	F
8. METROLOGY SYSTEMS:						
Arithmetic count	56.5%	57.7%	55.3%	57.1%	57.5%	53.1%
Apothecary	38.3	37.7	36.9	37.8	37.5	44.1
Metric	5.0	4.5	7.5	4.8	4.7	2.8
Metric with Apoth.	0.2	0.1	0.3	0.3	0.3	- -
9. LANGUAGE OF INGREDIENTS:						
English	90.6%	90.7%	91.0%	89.2%	91.3%	89.9%
English with Latin	8.0	7.8	8.1	8.7	7.5	8.5
Latin	1.4	1.5	0.9	2.1	1.2	1.6
10. AVERAGE PRESCRIPTION PRICES:						
Average price	\$1.58	\$1.50	\$1.66	\$1.64	\$1.57	\$1.52
Modal or most common price	1.25	1.25	1.00	1.25	1.00	1.25
Median or middle price	1.25	1.25	1.25	1.25	1.25	1.25
11. AVERAGE PRESCRIPTION PRICES BY QUARTERS OF THE YEAR:						
First quarter	\$1.47	\$1.42	\$1.45	\$1.47	\$1.51	\$1.47
Second quarter	1.60	1.55	1.72	1.52	1.67	1.43
Third quarter	1.62	1.49	1.69	1.85	1.55	1.67
Fourth quarter	1.61	1.56	1.76	1.72	1.57	1.50

PRESCRIPTION SURVEY, 1949

POPULATION GROUPS:

A.....Massachusetts (State totals)
 B.....Over 500,000 (Boston)
 C.....100,000 to 500,000
 D.....50,000 to 100,000
 E.....10,000 to 50,000
 F.....Under 10,000

CLASSIFICATION	A	B	C	D	E	F
I. METROLOGY SYSTEMS:						
Arithmetic count	20.52	27.12	25.32	27.12	27.52	23.12
Apocheary	38.3	37.7	36.9	37.8	37.5	34.1
Metric	5.0	4.5	7.2	4.8	4.7	5.0
Metric with Apoch.	0.2	0.1	0.3	0.3	0.3	-
II. LANGUAGE OF INGREDIENTS:						
English	90.62	90.72	91.02	89.52	91.22	89.92
English with Latin	8.0	7.6	8.1	8.7	7.5	8.5
Latin	1.4	1.5	0.9	2.1	1.3	1.0
III. AVERAGE PRESCRIPTION PRICES:						
Average price	\$1.58	\$1.50	\$1.60	\$1.64	\$1.57	\$1.55
Modal or most common price	1.25	1.25	1.00	1.25	1.00	1.25
Median or middle price	1.25	1.25	1.25	1.25	1.25	1.25
IV. AVERAGE PRESCRIPTION PRICES BY QUARTERS OF THE YEAR:						
First quarter	\$1.47	\$1.42	\$1.42	\$1.47	\$1.51	\$1.47
Second quarter	1.00	1.25	1.25	1.25	1.07	1.13
Third quarter	1.32	1.42	1.60	1.82	1.52	1.67
Fourth quarter	1.31	1.50	1.70	1.72	1.57	1.50

A.....Massachusetts (State totals)
B.....Over 500,000 (Boston)
C.....100,000 to 500,000
D.....50,000 to 100,000
E.....10,000 to 50,000
F.....Under 10,000

CLASSIFICATION	A	B	C	D	E	F
12. PRESCRIPTION AVERAGE PRICES BY FORM OF MEDICATION DISPENSED:						
Tablets	\$1.67	\$1.65	\$1.70	\$1.75	\$1.63	\$1.67
Liquids	1.42	1.34	1.53	1.45	1.45	1.30
Capsules	2.42	2.15	2.61	2.60	2.62	2.06
Drops	1.08	1.05	1.07	1.13	1.09	1.08
Ointments	1.12	0.97	1.22	1.14	1.10	1.15
Powders	1.78	1.99	1.90	1.09	1.89	1.34
Sprays	1.19	1.14	1.20	1.01	1.19	1.73
Suppositories	1.90	1.93	2.58	1.70	1.52	1.95
Ampules	3.93	3.18	3.65	4.02	4.03	4.04
Pills	1.22	0.88	1.18	1.96	0.78	1.25
All others	1.22	1.06	1.22	1.26	1.20	1.20
13. PRESCRIPTION AVERAGE PRICES BY SELECTED INGREDIENTS:						
Narcotics	\$1.43	\$1.34	\$1.46	\$1.64	\$1.41	\$1.33
Barbiturates	1.36	1.28	1.44	1.45	1.25	1.55
Vitamins	2.40	2.01	2.69	2.34	2.22	2.58
Sulfonamides	1.39	1.41	1.43	1.37	1.33	1.47
Penicillin	2.32	2.53	2.15	2.30	2.47	1.91
Antihistaminics	1.33	1.34	1.25	1.40	1.33	1.35
Hormones	1.94	2.00	1.99	1.71	1.98	1.85
+Antibiotics	3.02	2.25	2.72	3.63	3.65	2.00
(+Antibiotics other than penicillin)						

POPULATION GROUPS:

.....Under 10,000
.....10,000 to 50,000
.....50,000 to 100,000
.....100,000 to 500,000
.....Over 500,000 (Boston)
.....Massachusetts (State Journal)

CLASSIFICATION		A	B	C	D	E	F
12. PRESCRIPTION AVERAGE PRICES BY FORM OF MEDICATION DISPENSED:							
Tablets	\$1.67	\$1.67	\$1.70	\$1.75	\$1.63	\$1.67	
Liquids	1.45	1.34	1.53	1.45	1.45	1.30	
Capsules	2.45	2.15	2.61	2.60	2.65	2.08	
Drops	1.08	1.05	1.07	1.13	1.09	1.08	
ointments	1.15	0.97	1.25	1.11	1.10	1.15	
Powders	1.78	1.99	1.90	1.99	1.89	1.34	
Sprays	1.19	1.11	1.50	1.01	1.49	1.73	
Suppositories	1.90	1.93	2.50	1.70	1.55	1.95	
Amphols	3.93	3.18	3.65	4.03	4.03	4.04	
Pills	1.55	0.88	1.10	1.90	0.70	1.55	
All others	1.55	1.00	1.55	1.50	1.50	1.50	
13. PRESCRIPTION AVERAGE PRICES BY SELECTED INGREDIENTS:							
Narcotics	\$1.13	\$1.34	\$1.40	\$1.04	\$1.44	\$1.33	
Barbiturates	1.30	1.28	1.44	1.45	1.55	1.55	
Vitamins	2.40	2.01	2.69	2.34	2.55	2.58	
Sulfonamides	1.99	1.41	1.43	1.37	1.33	1.47	
Penicillin	2.35	2.53	2.15	2.30	2.47	1.91	
Antihistamines	1.33	1.34	1.25	1.40	1.33	1.35	
Hormones	1.94	2.00	1.99	1.73	1.98	1.85	
Antibiotics	3.05	2.55	2.75	3.03	3.65	3.00	

COMPARISON OF FINDINGS - M.C.P. R SURVEYS FOR 1947 AND 1949

CLASSIFICATION	MASSACHUSETTS STATE TOTALS		CHANGE	
	1947	1949	Increase	Decrease
1. R INGREDIENTS:				
Proprietaries, solely	54.7%	61.8%	+7.1%	
Mixed (Prop. and Non-prop.)	8.5	8.0		-0.5%
TOTAL PROP. R	63.2	69.8	+6.6	
Non-proprieties, solely	36.8	30.2		-6.6
2. NUMBER OF INGREDIENTS:				
One	76.7%	79.7%	+3.0%	
Two	11.5	10.6		-0.9%
Three	5.9	5.2		-0.7
Four	3.5	2.8		-0.7
Five	1.7	1.2		-0.5
Six	0.5	0.4		-0.1
Seven	0.1	0.1		
Eight	Less than 0.1	—		Less than 0.1
3. FORMS OF MEDICATION DISPENSED:				
Tablets	36.0%	40.9%	+4.9%	
Liquids	27.3	26.6		-0.7%
Capsules	10.9	9.4		-1.5
Drops	9.8	7.6		-2.2
Ointments	6.3	6.2		-0.1
Powders	1.5	1.2		-0.3
Sprays	0.8	0.8		
Suppositories	0.3	0.5	+0.2	
Ampules	0.3	0.5	+0.2	
Pills	0.3	0.3		
All others	6.5	6.0		-0.5

CLASSIFICATION		MASSACHUSETTS STATE TOTALS		CHANGE	
1947		1948		Increase, Decrease	
1. B. INGREDIENTS:					
Solely Proprietary		51.72	52.82	+7.12	
Mixed (Prop. and Non-prop.)		8.2	8.0	-0.22	
TOTAL PROP. B		63.5	62.8	+6.3	
Solely Non-proprietary		36.8	30.2	-6.6	
2. NUMBER OF INGREDIENTS:					
One	10.72	10.72	+3.02	-0.92	
Two	11.2	10.8		-0.4	
Three	2.2	2.2		-0.4	
Four	2.2	2.2		-0.2	
Five	1.7	1.2		-0.1	
Six	0.2	0.2			
Seven	0.1	0.1			
Eight	Less than 0.1			Less than 0.1	
3. FORMS OF MEDICATION DISPENSED:					
Tablets	36.02	30.92	+4.92	-0.72	
Liquids	27.3	26.8		-1.2	
Capsules	10.2	9.4		-2.2	
Drops	2.8	2.8		-0.1	
Oralments	6.2	6.2		-0.3	
Powders	1.2	1.2			
Sprays	0.8	0.8			
Suppositories	0.2	0.2	+0.2		
Amules	0.2	0.2	+0.2		
Pills	0.2	0.2			
All others	6.2	6.0		-0.2	

COMPARISON OF FINDINGS

CLASSIFICATION	MASSACHUSETTS STATE TOTALS		CHANGE	
	1947	1949	Increase	Decrease
1. COMPOUNDING:				
Required	23.0%	19.8%		-3.2%
Not Required	77.0	80.2	+3.2	
2. COMPOUNDING REQUIRED FOR THE COMMON FORMS OF MEDICATION:				
Liquids	50.2%	45.5%		-4.7%
Drops	36.3	41.5	+5.2	
Ointments	25.5	21.6		-3.9
Capsules	10.4	8.5		-1.9
Tablets	0.9	0.5		-0.4
6. PRESCRIPTIONS CONTAINING:				
Narcotics	17.4%	17.1%		-0.3%
Barbiturates	10.2	11.9	+1.7%	
Vitamins	11.5	10.1		-1.4
Sulfonamides	11.5	9.1		-2.4
Penicillin	6.4	7.8	+1.4	
Antihistaminics	2.1	5.8	+3.7	
Hormones	3.3	4.3	+1.0	
+Antibiotics	1.3	1.9	+0.6	
(+Antibiotics other than penicillin)				
7. METROLOGY SYSTEMS:				
Arithmetic count	51.2%	56.5%	+5.3%	
Apothecary	44.7	38.3		-6.4%
Metric	3.9	5.0	+1.1	
Metric with Apoth.	0.2	0.2		
8. LANGUAGE OF INGREDIENTS:				
English	82.3%	90.6%	+8.3%	
English with Latin	15.0	8.0		-7.0%
Latin	2.7	1.4		-1.3

COMPARISON OF FINDINGS

CLASSIFICATION		MASSACHUSETTS STATE TOTALS		CHANGE	
		1971		Increase Decrease	
1. COMPOUNDING:					
Required		23.0	19.8	+3.2	-3.2
Not Required		77.0	80.2		
2. COMPOUNDING REQUIRED FOR THE COMMON FORMS OF MEDICATION:					
Lipids		50.2	42.2	+8.0	-8.0
Drops		36.3	41.2	-4.9	-4.9
Ointments		22.2	21.0	+1.2	-1.2
Capsules		10.4	8.2	+2.2	-2.2
Tablets		0.9	0.2	+0.7	-0.7
3. PRESCRIPTIONS CONTAINING:					
Narcotics		17.4	17.1	+0.3	-0.3
Barbiturates		10.2	11.9	-1.7	-1.7
Vitamins		11.2	10.1	+1.1	-1.1
Sulfonamides		11.2	9.1	+2.1	-2.1
Penicillin		6.4	3.8	+2.6	-2.6
Antihistamines		2.1	2.8	-0.7	-0.7
Hormones		3.3	1.3	+2.0	-2.0
+Antibiotics		1.3	1.9	-0.6	-0.6
(Antibiotics other than penicillin)					
4. METROLOGY SYSTEMS:					
Alphabetic count		21.2	20.2	+1.0	-1.0
Apothecary		44.7	38.3	+6.4	-6.4
Metric		2.9	2.0	+0.9	-0.9
Metric with Apoth.		0.2	0.2		
5. LANGUAGE OF INGREDIENTS:					
English		82.2	90.6	-8.4	-8.4
English with Latin		15.0	8.0	+7.0	-7.0
Latin		2.7	1.4	+1.3	-1.3

COMPARISON OF FINDINGS

CLASSIFICATION	MASSACHUSETTS STATE TOTALS		CHANGE	
	1947	1949	Increase	Decrease
9. AVERAGE PRESCRIPTION PRICES:				
All prescriptions:				
Average price	\$1.42	\$1.58	+\$0.16	
Modal or most common price	1.00	1.25	+0.25	
Median or middle price	1.15	1.25	+0.10	
10. PRESCRIPTION AVERAGE PRICES BY FORM OF MEDICATION DISPENSED:				
Tablets	\$1.53	\$1.67	+\$0.14	
Liquids	1.32	1.42	+ 0.10	
Capsules	2.09	2.42	+ 0.33	
Drops	1.02	1.08	+ 0.06	
Ointments	0.98	1.12	+ 0.14	
Powders	1.38	1.78	+ 0.40	
Sprays	0.99	1.19	+ 0.20	
Suppositories	1.86	1.90	+ 0.04	
Ampules	2.76	3.93	+ 1.17	
Pills	1.08	1.22	+ 0.14	
All others	1.15	1.22	+ 0.07	
11. PRESCRIPTION AVERAGE PRICES BY SELECTED INGREDIENTS:				
Narcotics	\$1.29	\$1.43	+\$0.14	
Barbiturates	1.16	1.36	+ 0.20	
Vitamins	2.43	2.40		-0.03
Sulfonamides	1.25	1.39	+ 0.14	
Penicillin	2.13	2.32	+ 0.19	
Antihistaminics	1.24	1.33	+ 0.09	
Hormones	1.69	1.94	+ 0.25	
+Antibiotics	1.09	3.02	+ 1.93	
(+Antibiotics other than penicillin)				

CLASSIFICATION			MASSACHUSETTS STATE TOTALS			CHANGE		
9. AVERAGE PRESCRIPTION PRICES:								
All prescriptions:								
Average price	\$1.45		\$1.58			+0.13		
Model or most common price	1.00		1.25			+0.25		
Median or middle price	1.15		1.25			+0.10		
10. PRESCRIPTION AVERAGE PRICES BY FORM OF MEDICATION DISPENSED:								
Tablets	\$1.53		\$1.67			+0.14		
Liquids	1.32		1.42			+0.10		
Suppositories	1.09		1.12			+0.03		
Proprietary	1.02		1.05			+0.03		
Oralmenstruants	1.00		1.12			+0.12		
Powders	1.30		1.38			+0.08		
Sprays	1.00		1.10			+0.10		
Suppositories	1.00		1.10			+0.10		
Amphiprises	1.00		1.10			+0.10		
Fillis	1.08		1.22			+0.14		
All others	1.15		1.22			+0.07		
11. PRESCRIPTION AVERAGE PRICES BY SELECTED INGREDIENTS:								
Narcotics	\$1.29		\$1.43			+0.14		
Barbiturates	1.10		1.20			+0.10		
Vitamins	1.13		1.10			-0.03		
Sulfonamides	1.25		1.30			+0.05		
Penicillin	1.13		1.32			+0.19		
Antihistamines	1.24		1.33			+0.09		
Hormones	1.00		1.04			+0.04		
Antibiotics	1.00		1.02			+0.02		
(+Antibiotics other than penicillin)								

MASSACHUSETTS COLLEGE OF PHARMACY

THE RIGHT OF THE PHYSICIAN TO DISPENSE DRUGS

May 1950

J.H. Goodness

PRESCRIPTIONS IN DRUG STORES (DRUG TOPICS SURVEY FOR 1949)

227,611,000 new Rx's filled in U. S. drug stores
2.56 prescriptions per capita
39.9% of the prescriptions were refills
16.1% of the total sales were from Rx's (new and refills)
2.1% fewer prescriptions were written by the average doctor than in 1948. (Population and doctors increased but prescriptions written did not increase proportionately)

3.3 doctors per drug store

PHYSICIAN-OWNED PRESCRIPTION CLINICS

750 physician-owned drugstores in the U.S. (Dr.E.Little, 1948)

About 1.5% of all pharmacies are doctor owned (1949)

"The continued increase goes on without abatement." (R.Q. Richards, 1950)

(ECONOMIC) DISPENSING OF DRUGS BY PHYSICIANS (MEDICAL ECONOMICS SURVEY, 1947)

1929 --- 64% of doctors dispensed drug prescribed
1939 60%
1943 55%
1947 45%

Breakdown for the year 1947 is as follows:

Population	% of Drs. Dispensing	% of Drugs Dispensed
Under 5,000	77%	65%
5,000 - 50,000	55%	39%
50,000 - 500,000	37%	33%
500,000 - 1,000,000	22%	27%
1,000,000 and over	29%	28%

"20 per cent of all drugs ordered by doctors are dispensed to the patient direct."

" 2 per cent dispensed all of the (drugs ordered)."

THE RIGHT OF THE PHYSICIAN TO DISPENSE DRUGS

J.H. Goodness

May 1950

PRESCRIPTIONS IN DRUG STORES (DRUG TOPICS SURVEY FOR 1949)

527,611,000 new Rx's filled in U.S. drug stores
 8.50 prescriptions per capita
 39.9% of the prescriptions were refills
 16.1% of the total sales were from Rx's (new and refills)
 2.1% fewer prescriptions were written by the average
 doctor than in 1948. (Population and doctors in-
 creased but prescriptions written did not increase
 proportionately)

3.3 doctors per drug store

PHYSICIAN-OWNED PRESCRIPTION CLINIC

750 physician-owned drugstores in the U.S. (Dr. E. Little, 1948)

About 1.5% of all pharmacies are doctor owned (1949)

"The continued increase goes on without abatement." (R.G. Richards, 1950)

(ECONOMIC DISPENSING OF DRUGS BY PHYSICIANS (MEDICAL ECONOMICS SURVEY, 1947))

1949 --- 61% of doctors dispensed drug prescribed
 1948 60%
 1947 55%
 1946 45%

Breakdown for the year 1947 is as follows:

Population % of prescriptions % of drugs dispensed

Under 5,000	77%	5%
5,000 - 25,000	22%	10%
25,000 - 50,000	31%	15%
50,000 - 1,000,000	23%	25%
1,000,000 and over	29%	45%

"50 per cent of all drugs ordered by doctors are dispensed to the patient direct."

"5 per cent dispensed all of the drugs ordered."

NET INCOMES AND INVESTMENT

National averages:		
	Independent PHYSICIANS (a)	PHARMACISTS (b)
For 1947		
INVESTMENT	\$4,500.00	\$17,800.00
NET INCOME	\$11,300.00	\$10,560.00
For 1949		
INVESTMENT		\$17,100.00
NET INCOME		\$ 8,600.00
	(a) Medical Economics Survey for 1947	(b) Lilly Digest for 1947 and 1949 progress report

SOME FORMS OF "PROFESSIONAL DISPENSING" OF DRUGS BY DOCTORS

(For public health reasons, no restrictions should be placed on this form of drug dispensing by doctors.)

1. All emergency, immediate-use drugs
to the injured
at bedside
office treatment (some types)
2. Future-use supply of drugs when there is no pharmacy service
because of
lateness of hour
great distance to drug store
lack of messenger
similar emergencies
3. Future-use supply of drugs when the only pharmacy within a
reasonable distance of the place of treatment or the home
of the patient is unable to give adequate pharmacy service
because of
very limited drug stock
record of inefficiency or of unprofessionalism
4. All drugs furnished to poverty stricken patients at no cost
(Doctor's charge for both service and drug does not exceed
a reasonable amount, which does not exceed in total the
medical-service-only fee charged by doctors in the same or
similar localities.)

SOME FORMS OF "ECONOMIC DISPENSING" OF DRUGS BY DOCTORS

1. Selling drugs in excess of emergency immediate-use needs to
office patients
2. Selling drugs in excess of emergency needs to home-call
patients when adequate pharmacy service is available
3. Using injection medication when oral dosages of the same drug
are available and will produce an equivalent result under
proper directions for use.
4. Charging the patient more than the actual cost of injection
drugs used by the doctor.

NET INCOME AND INVESTMENT

For 1947		For 1946	
INVESTMENT	\$1,500.00	INVESTMENT	\$1,500.00
NET INCOME	\$1,300.00	NET INCOME	\$1,300.00
PHYSICIANS (a)		PHYSICIANS (a)	
Independent		Independent	
PHARMACISTS (b)		PHARMACISTS (b)	
\$17,800.00		\$17,800.00	
\$10,500.00		\$10,500.00	
Survey for 1947		Survey for 1946	
(a) Medical Economics		(a) Medical Economics	
(b) Lilly Project		(b) Lilly Project	
for 1947 and		for 1946 and	
1948 progress		1947 progress	
Report		Report	

SOME FORMS OF "PROFESSIONAL DISPENSING" OF DRUGS BY DOCTORS
(For public health reasons, no restrictions should be placed on this form of drug dispensing by doctors.)

1. All emergency, immediate-use drugs to the injured at bedside office treatment (some types)
2. Future-use supply of drugs when there is no pharmacy service because of:
lateness of hour
great distance to drug store
lack of messenger
similar emergencies
3. Future-use supply of drugs when the only pharmacy within reasonable distance of the place of treatment or the home of the patient is unable to give adequate pharmacy service because of:
very limited drug stock
need of the physician or of unprofessional assistance
4. All drugs furnished to poverty-stricken patients at no cost (doctor's charge for service and drug does not exceed a reasonable amount; which does not exceed in total the medical-charge-charge charged by doctors in the same or similar localities)

SOME FORMS OF "ECONOMY DISPENSING" OF DRUGS BY DOCTORS

1. Selling drugs in excess of emergency immediate-use needs to office patients
2. Selling drugs in excess of emergency needs to home-call patients when adequate pharmacy service is available
3. Using injection medication when oral dosages of the same drug are available and will produce an equivalent result under proper directions for use
4. Charging the patient more than the actual cost of injection drugs used by the doctor

SOME CAUSES OF "ECONOMIC DISPENSING" OF DRUGS BY DOCTORS

To encouragement and opportunity:

1. Increasing number of combinations and forms of ready-to-use medications.
2. Federal and state food and drug laws restricting certain drugs to written prescriptions (without a legal requirement to write such prescriptions when these drugs are needed)
3. Drugs (in addition to those restricted by law) restricted to "Rx-use-only" by drug manufacturers in place of labeling with adequate directions for use.
4. Sales pressure upon doctors to stock drugs for economic dispensing
5. First contact with potential drug users by the doctor in his "up stream" position in relation to the pharmacist
6. Complete confidence of the average patient in his doctor

To motive:

7. Economic (income-need) pressure on the doctor (whether self or society created) which cannot be met by standardized medical-service-fee income
8. Desire for larger returns with maximum control over income from investments

SOME FORMS OF ECONOMIC DISPENSING OPERATIONS

1. Drug inventory stored in doctors office
2. Drug store owned by doctor as sole owner and so advertised
3. Drug store owned by doctor, which uses a salaried pharmacist posing illegally as the owner
4. Drug store owned by a corporation the stock of which is owned by the doctor since the pharmacist, a nominal stockholder has pledged both stock and its voting power to the doctor
5. Drug store owned by a pharmacist, but prescription income shared with the doctor on the basis of number of prescriptions filled

Prescriptions are channeled to the particular drugstore by such methods as the following:

telephoned in to drug store
prescriptions written in private code (generally illegal under existing laws or regulations)
the patient directed by the doctor to the particular drug store

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EXAMPLES OF RECENT LEGAL STEPS TO CONTROL ECONOMIC DISPENSING BY DOCTORS

1. ARIZONA, Board of Pharmacy Regulation (1949)
Sale of drugs to doctors who are not registered pharmacists is forbidden.
The regulation is based on the following statute:
Section 67.1506 "It shall be unlawful for any person to manufacture , compound, sell, or dispense any drugs, poisons, medicines, or medicinal chemicals, OR TO DISPENSE OR COMPOUND THE PRESCRIPTIONS OF A MEDICAL PRACTITIONER UNLESS SUCH A PERSON BE A LICENTIATE IN PHARMACY OR A REGISTERED ASSISTANT PHARMACIST."
2. FLORIDA, Statute (1950)
The physician may not use non-pharmacist employees to prepare medications for patients.
465.07 "Nothing in this chapter shall be construed to prevent a legally authorized practitioner of medicine from practicing, dispensing, compounding for or giving any medicines or poisons to his patients in the regular course of his practice as such physician; PROVIDED, HOWEVER, THAT SUCH COMPOUNDING, PREPARING AND DISPENSING BE DONE BY THE PHYSICIAN HIMSELF...

SOME SUGGESTED METHODS FOR USE BY MEDICINE AND PHARMACY TO PRESERVE THE PROFESSIONS AND PROMOTE PROGRESS

Cooperation:

1. Continue to expand interprofessional relations on a high ethical plane
2. Increase the emphasis in teaching professional codes of ethics in both medical and pharmacy schools
3. Increase code of ethics enforcements in the professional associations

Legal:

4. Seek representation of medicine, pharmacy and where applicable, nursing on all governmental boards dealing with general public health
5. Clarify the prescription refilling question under the federal food, drug and cosmetic law (also the same type laws in the individual states)
6. Enforce pharmacy and medical laws to regulate illegal economic dispensing by doctors
7. Seek, where necessary, a single law to bar doctors from engaging in economic dispensing and pharmacists from practicing counter prescribing
8. Seek new statutes or enforce existing laws or regulations prohibiting the use of private-code prescriptions that do not accurately identify the prescribed drug to those trained in medicine or pharmacy

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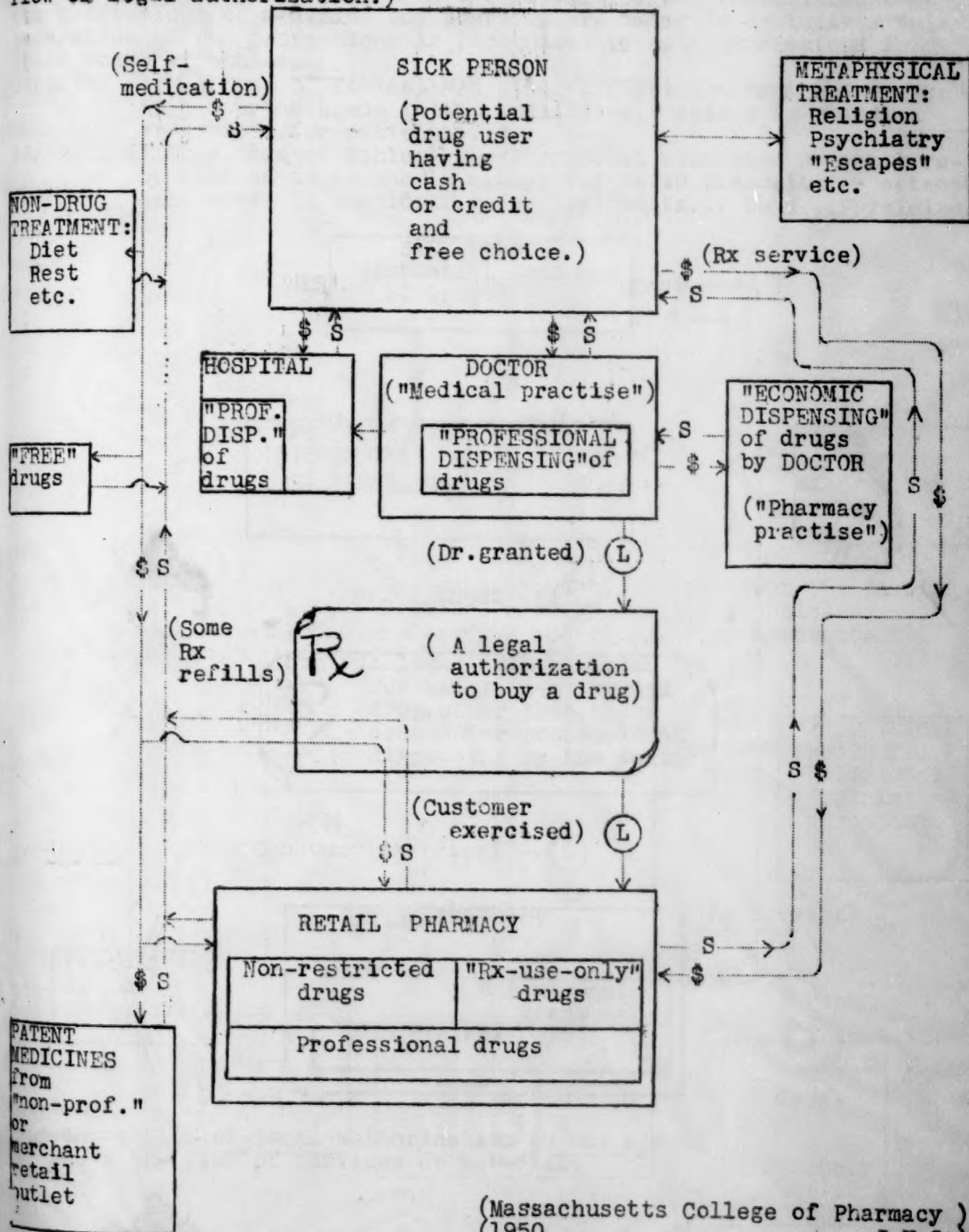
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CONSUMER'S RELIEF-OF-ILLNESS ECONOMICS

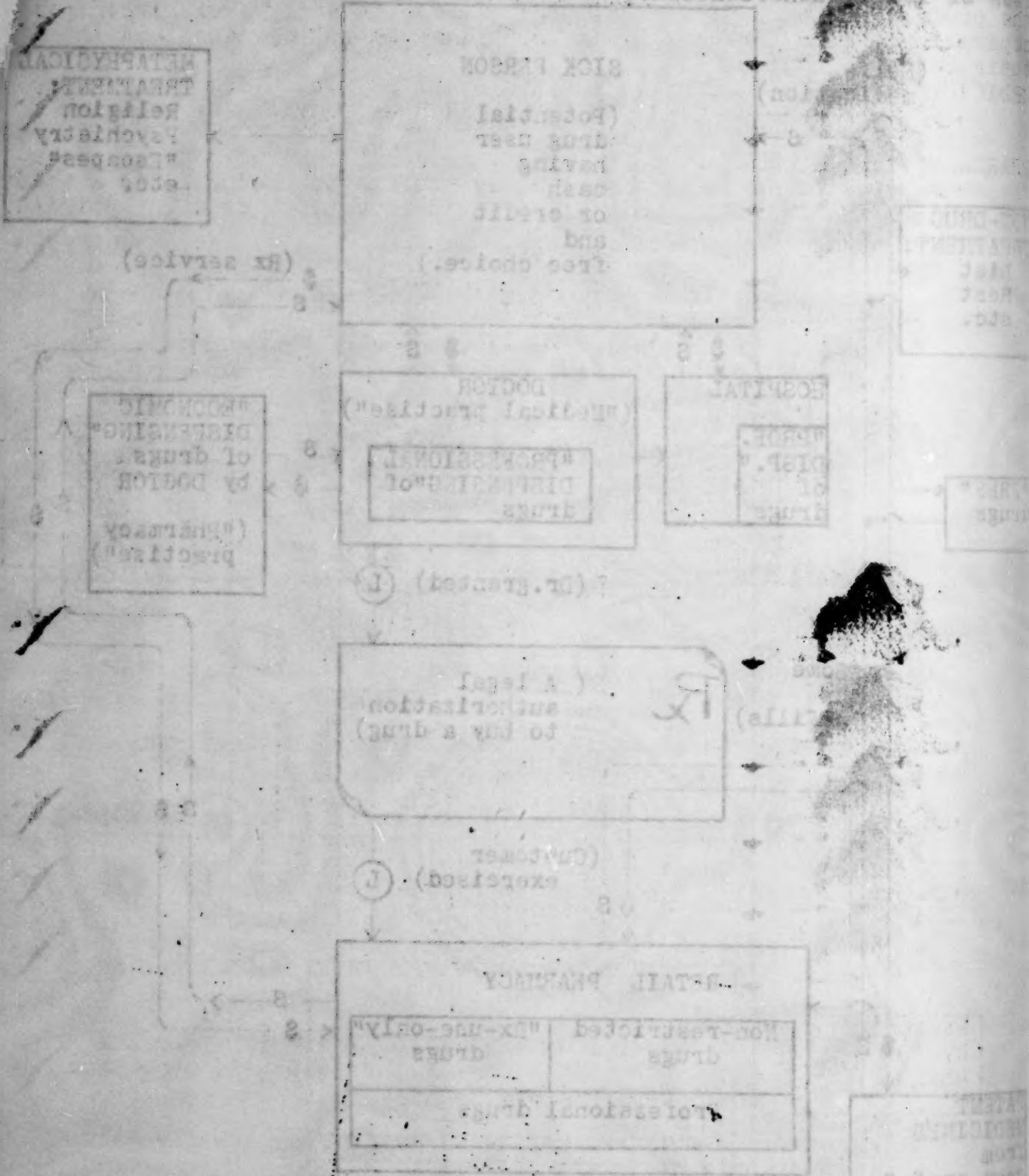
As Practised Under Our U.S. System of Economics Based Upon the Institutions of Division of Labor, Private Property, and Free Choice.
 ("S" represents the flow of service or materials. "L" represents the flow of legal authorization.)



(Massachusetts College of Pharmacy)
 1950 J.H.G.)

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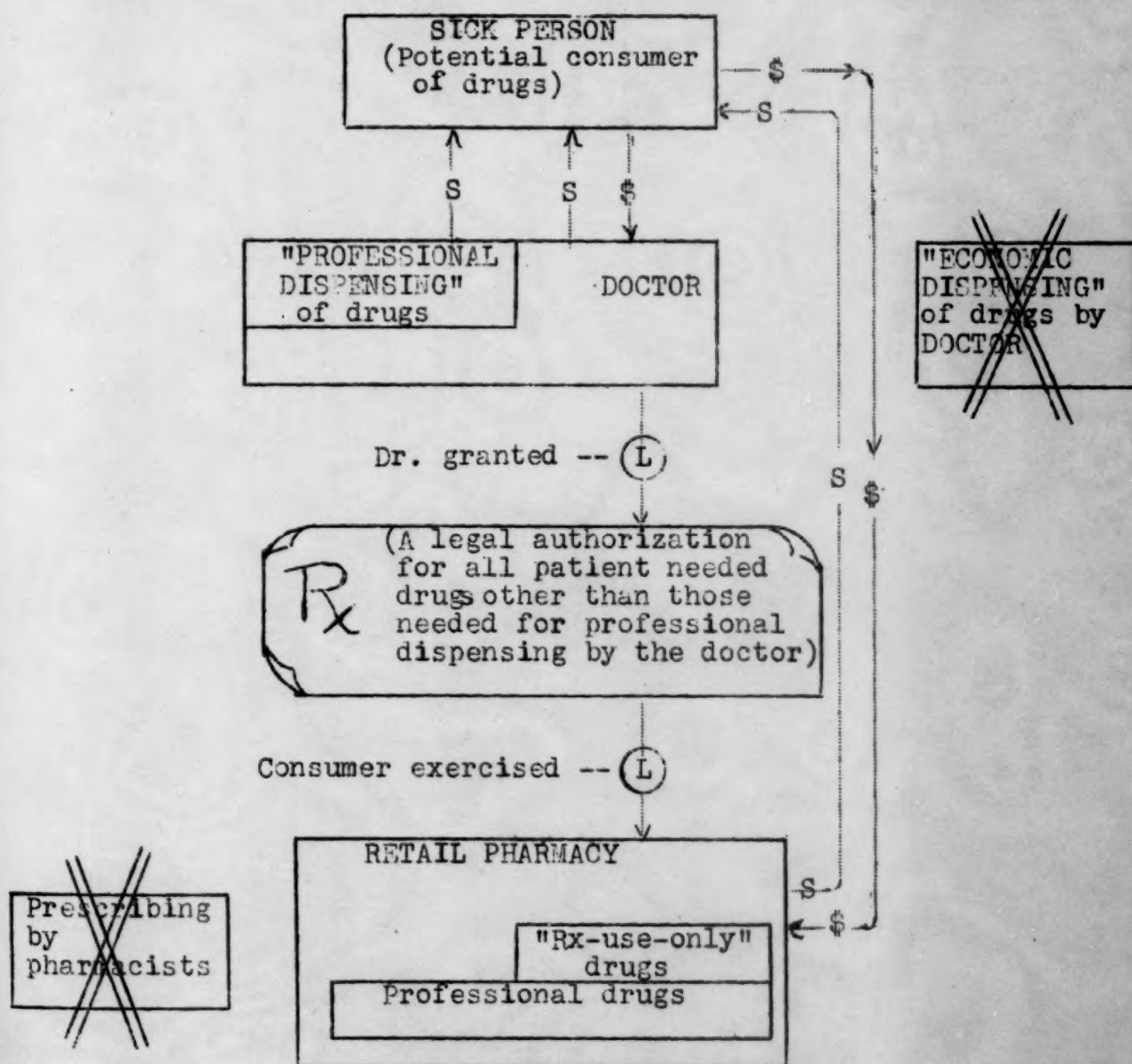


PROFESSIONAL DRUG DISPENSING

The traditional division-of-labor method of supplying drugs (other than "household" drugs) is built upon the socially sound recognition that the professions of medicine and pharmacy are mutually exclusive. This separation of the professions is recognized by both professions in their codes of ethics.

MEDICINE (A.M.A. Code of Ethics) "An ethical physician does not engage in barter or trade in the appliances, devices or remedies prescribed for patients..."

PHARMACY (A.Ph.A. Code of Ethics) "The Pharmacist even when urgently requested so to do should always refuse to prescribe or attempt diagnoses. He should ...refer applicants... to a...Physician."



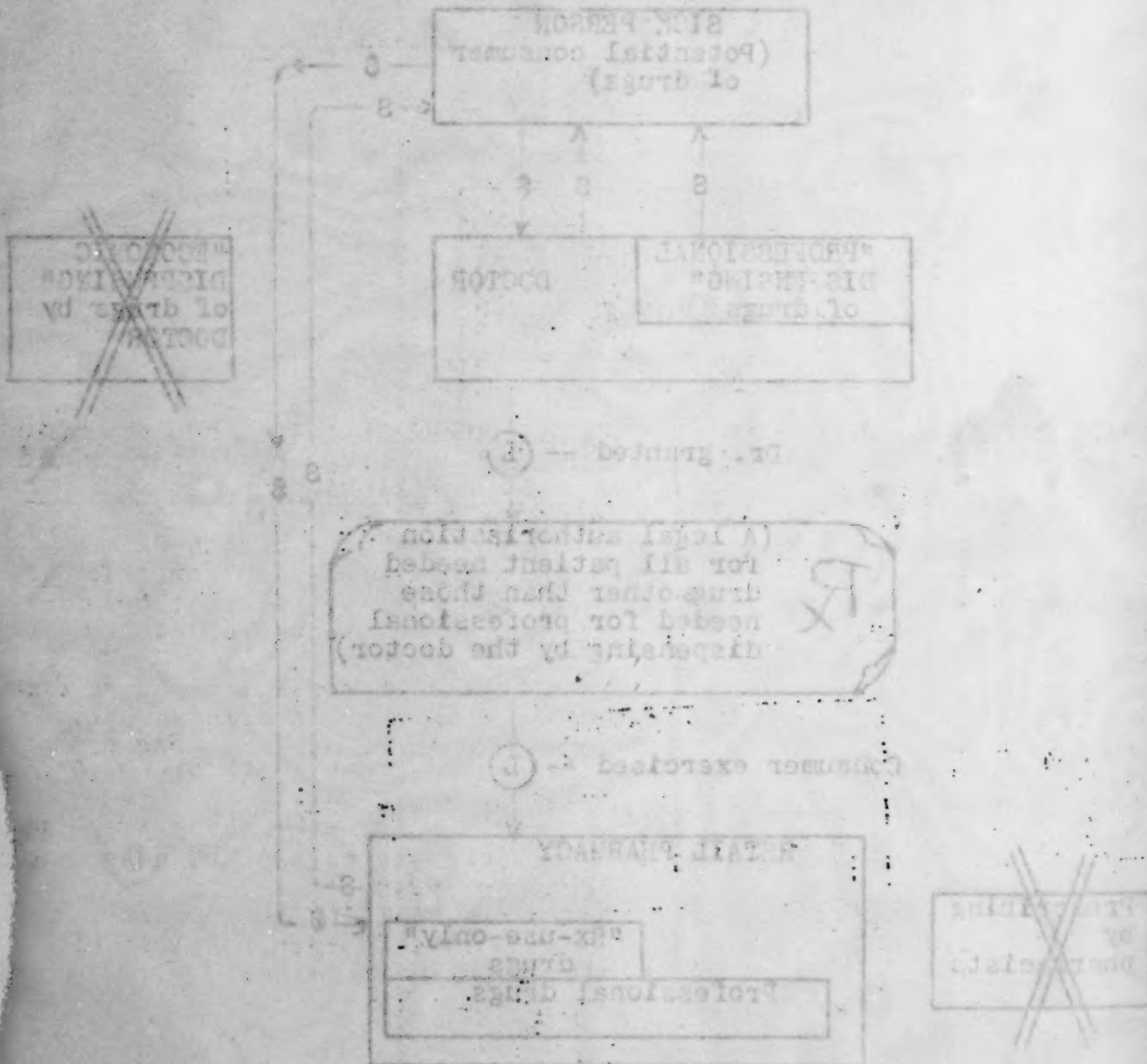
"L" shows flow of legal authorization to use a drug
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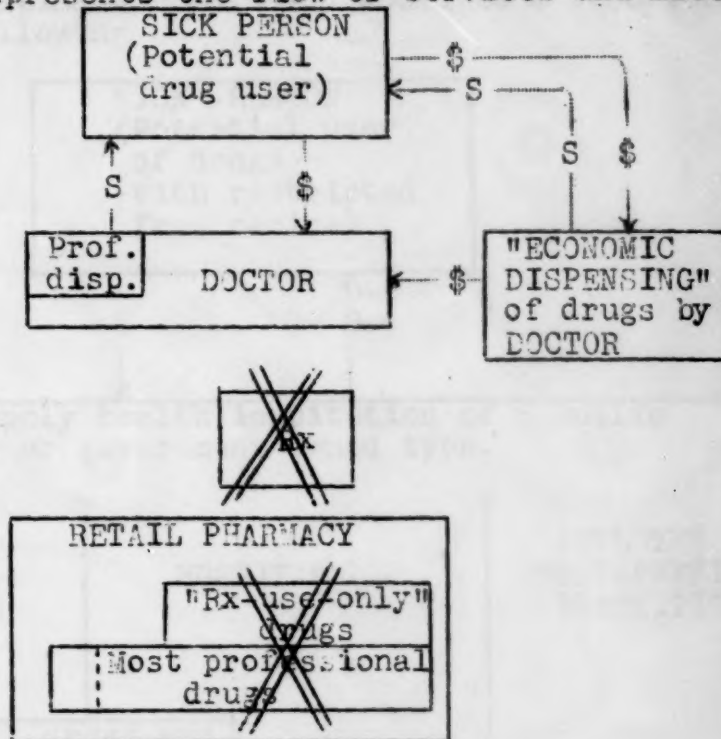
ARTICLE I, A. Code of Ethics: "The pharmacist even when properly requested so to do should always refuse to prescribe or attempt diagnosis. He should... refer applicants... to a physician."



"Rx" shows flow of legal authorization to use a drug
 "Rx-use-only" shows the flow of services of materials

DISTURBING EFFECTS OF ECONOMIC DISPENSING BY DOCTORS

The trend of economic dispensing by doctors if continued could easily result in many evils, economic, social, and legal, some of which are listed below. ("S" represents the flow of services and materials.)



ECONOMIC EVILS resulting from the "super-efficient" economic dispensing by doctors:

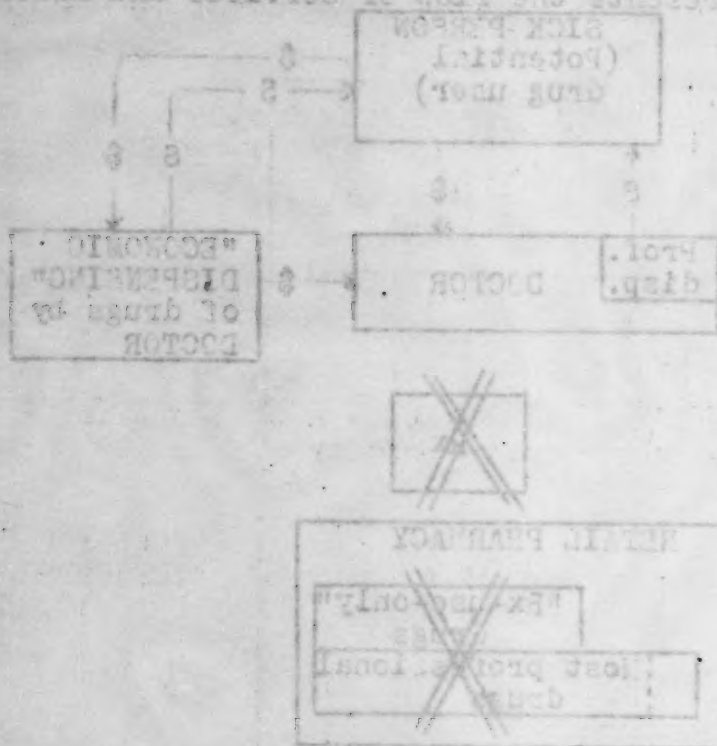
1. More drug store failures
2. More unemployment
3. Less drug wholesalers
4. Less drug manufacturers
5. Less pharmacy schools
6. Less research (private)
7. Less new drugs
8. Less free choice
9. Less public safety
10. Encouragement to "socialize everything"

CONSUMER SUFFERED EVILS from economic dispensing of drugs by doctors would include the following:

1. No right to a Rx refill
2. No right to a copy of the Rx
3. No opportunity to shop for price
4. No opportunity to select a brand
5. No opportunity to use credit at the drug store
6. No independent check on drug or dose
7. Possible inferior pharmacy skill
8. No knowledge of name of drug used (Doctor need not write Rx or file it for legal use)
9. No evidence of malpractice if no Rx
10. No opportunity to support an economy of free choice
11. Increased taxation to support unemployment burden and loss of local business taxes.

DISTURBING EFFECTS OF ECONOMIC DISPENSING BY DOCTORS

The trend of economic dispensing by doctors is continuing and could easily result in many evils, economic, social, and legal, some of which are listed below. ("S" represents the sum of services and materials.)



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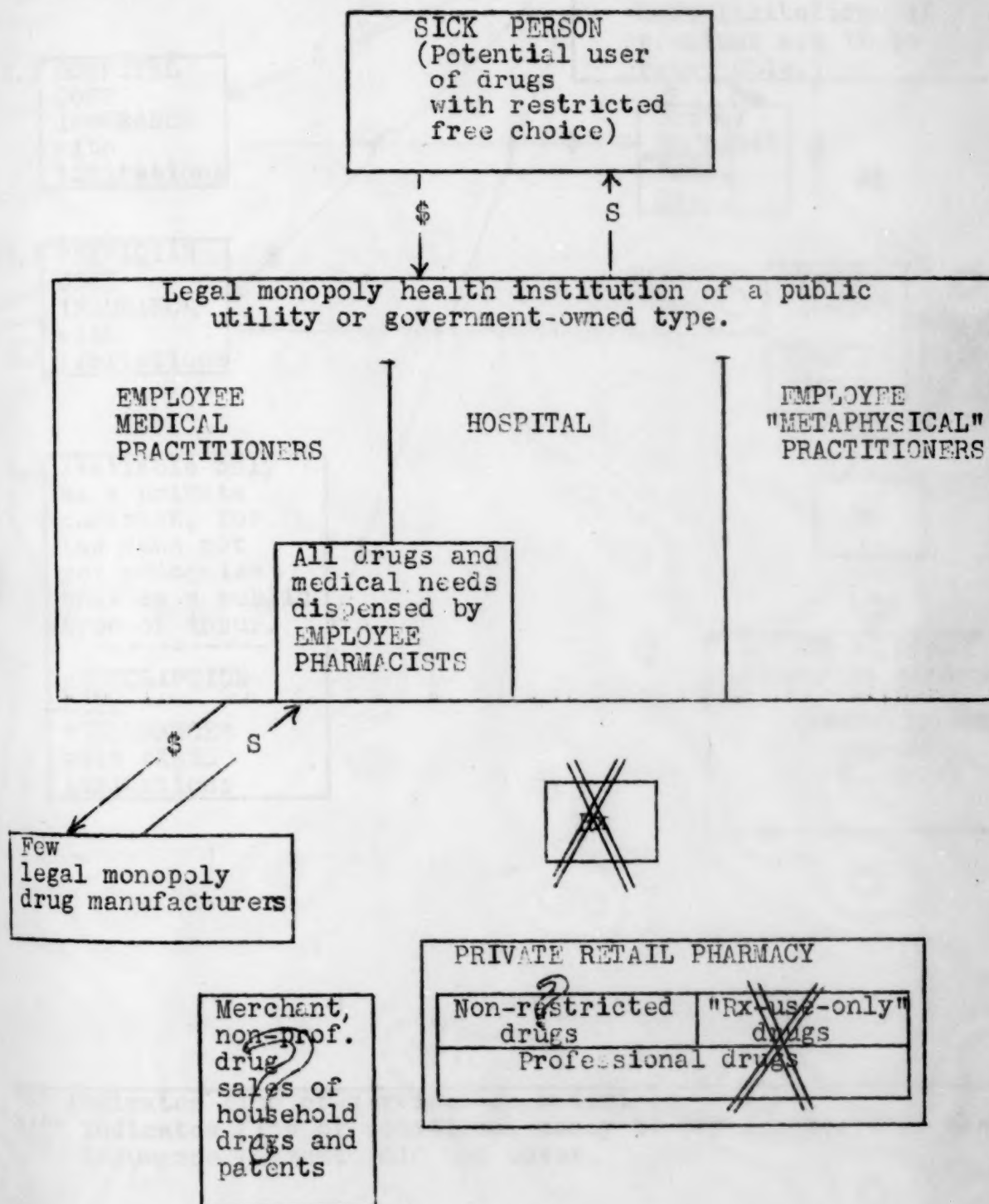
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THE FALLACY OF THE "ECONOMIC EFFICIENCY" ARGUMENT ADVANCED FOR ECONOMIC DISPENSING BY DOCTORS

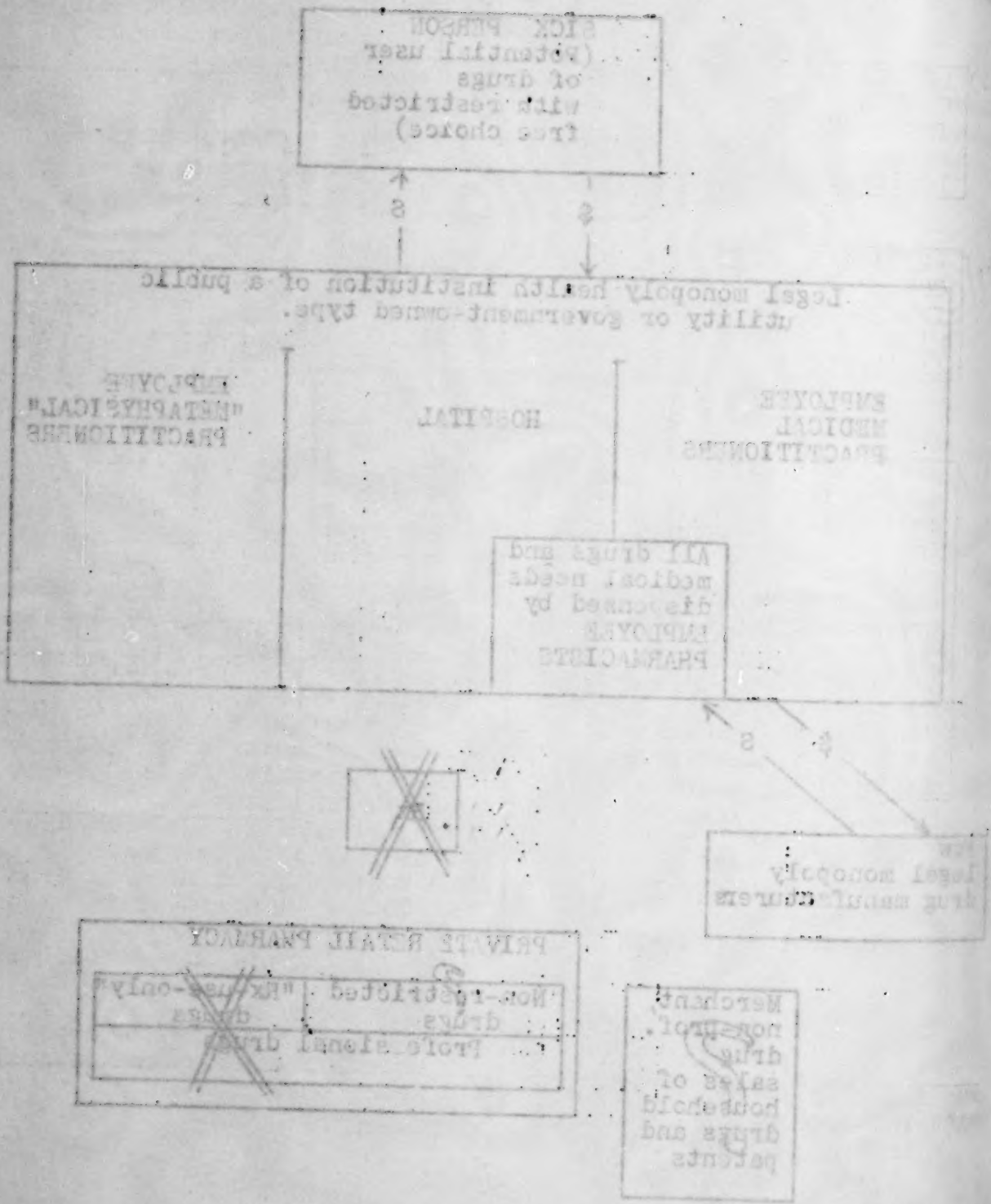
If economic efficiency were the only goal in the economic side of health services, a logical ultimate conclusion would be a restricted free-choice system such as the following



"S" represents the flow of services and materials

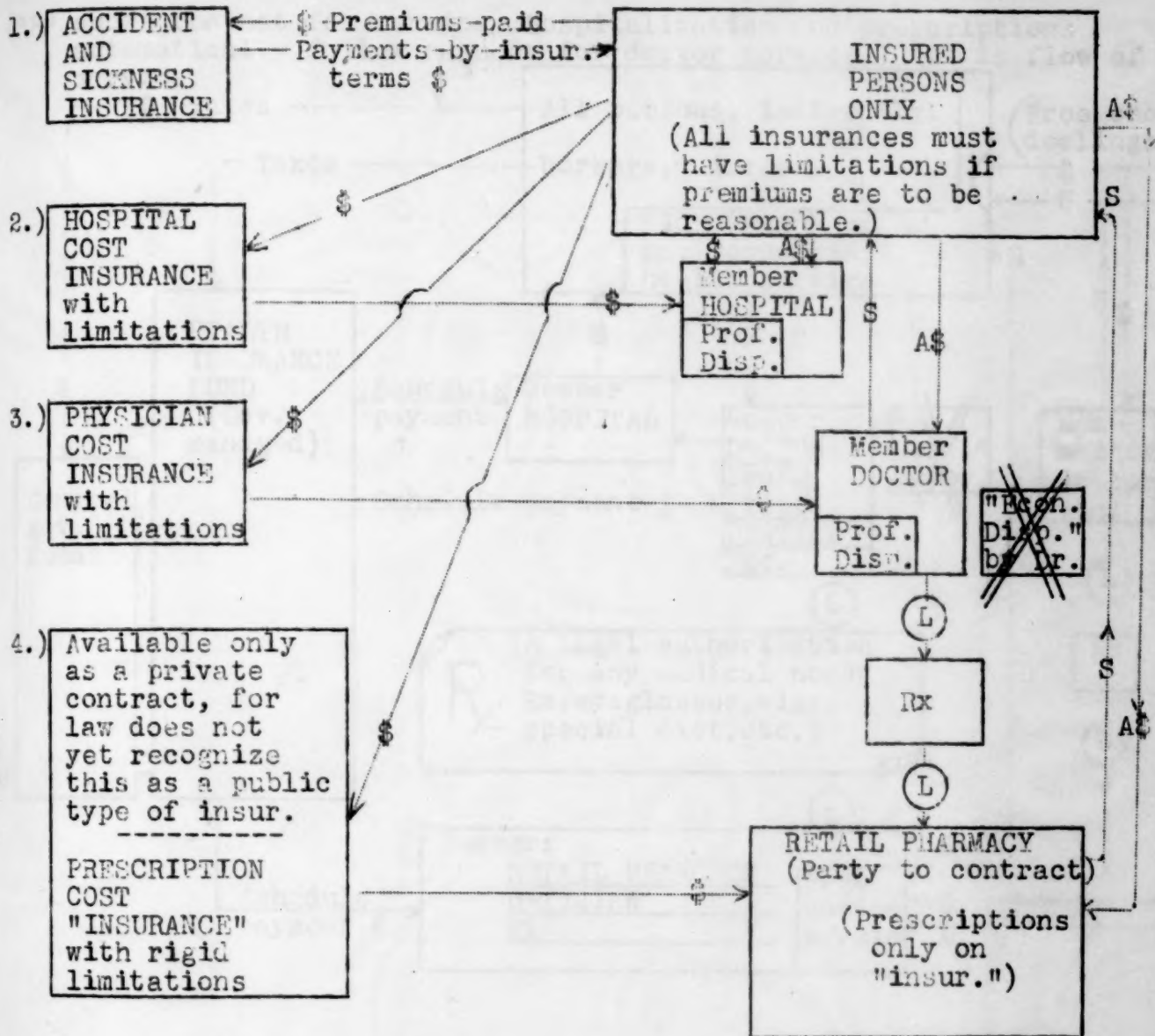
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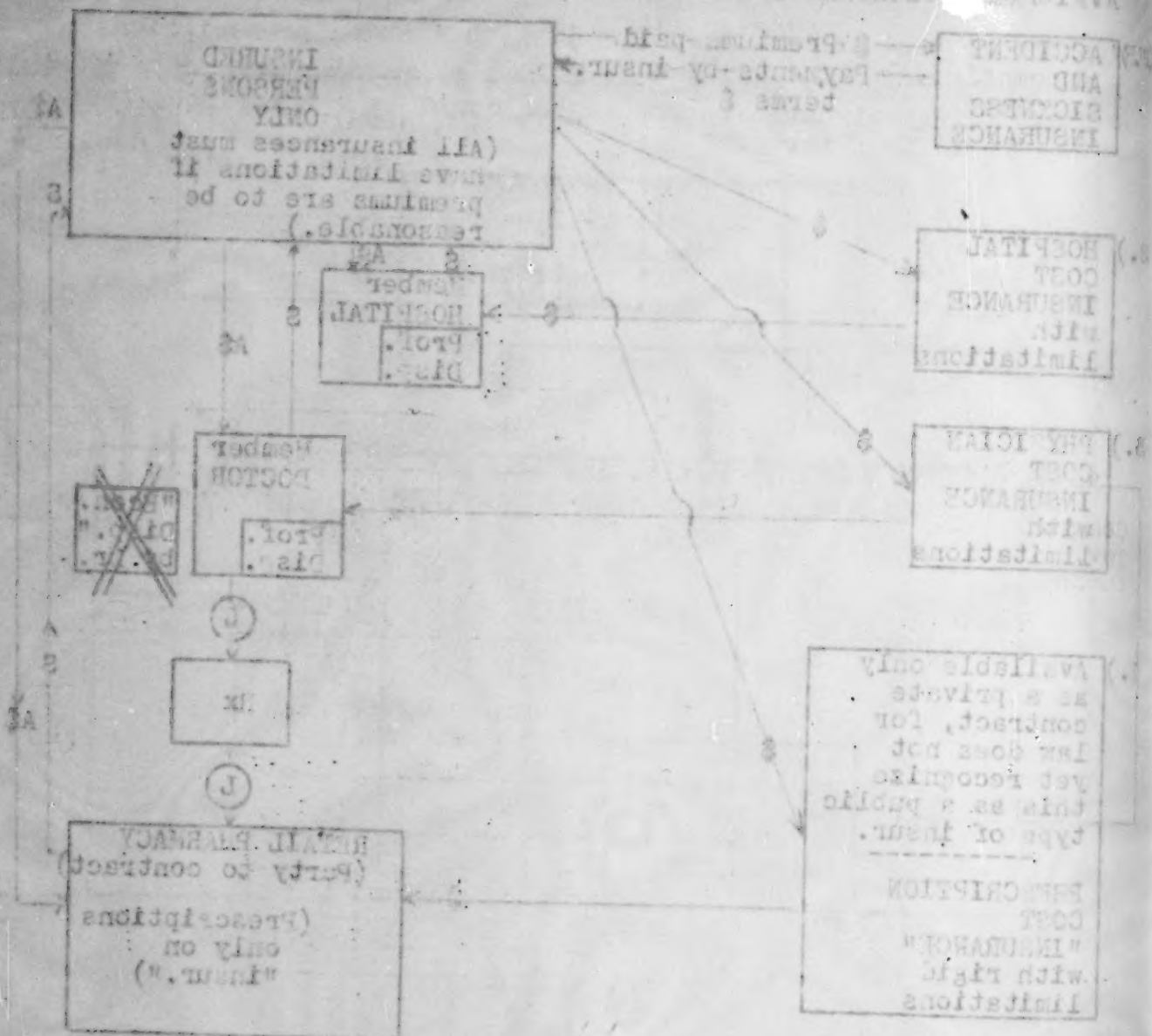
AVAILABLE VOLUNTARY INSURANCE PLANS FOR MEETING MEDICAL COSTS



"S" indicates flow of services or materials

"A\$" indicates flow of additional money to pay for services that insurance payments did not cover.

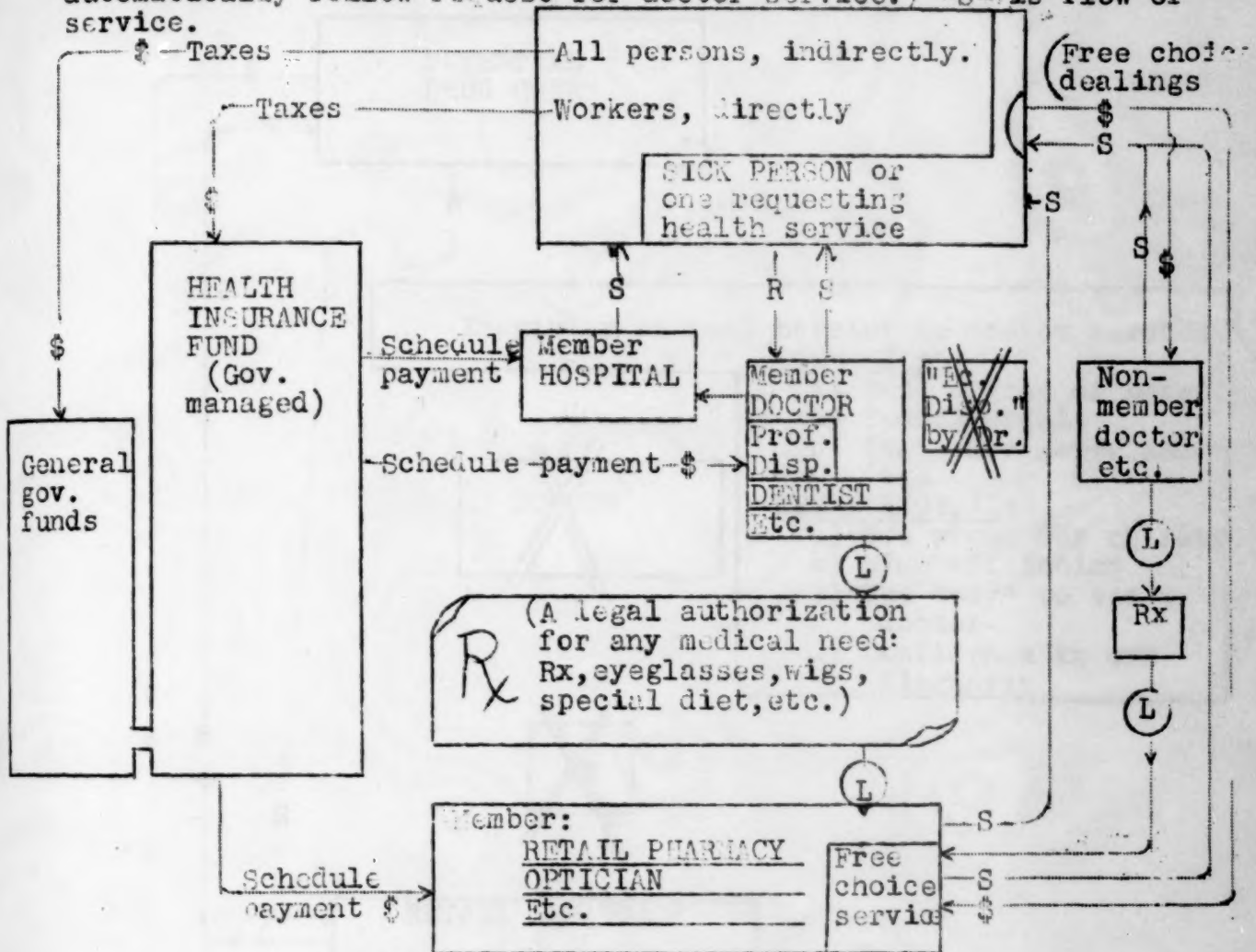
AVAILABLE MEDICAL INSURANCE PLANS FOR MEETING MEDICAL COSTS



"A" indicates list of services or materials
 "B" indicates list of additional money to pay for services that
 insurance payments did not cover.

COMPULSORY HEALTH INSURANCE

("R" shows request for service. Hospitalization and prescriptions automatically follow request for doctor service.) "S" is flow of service.

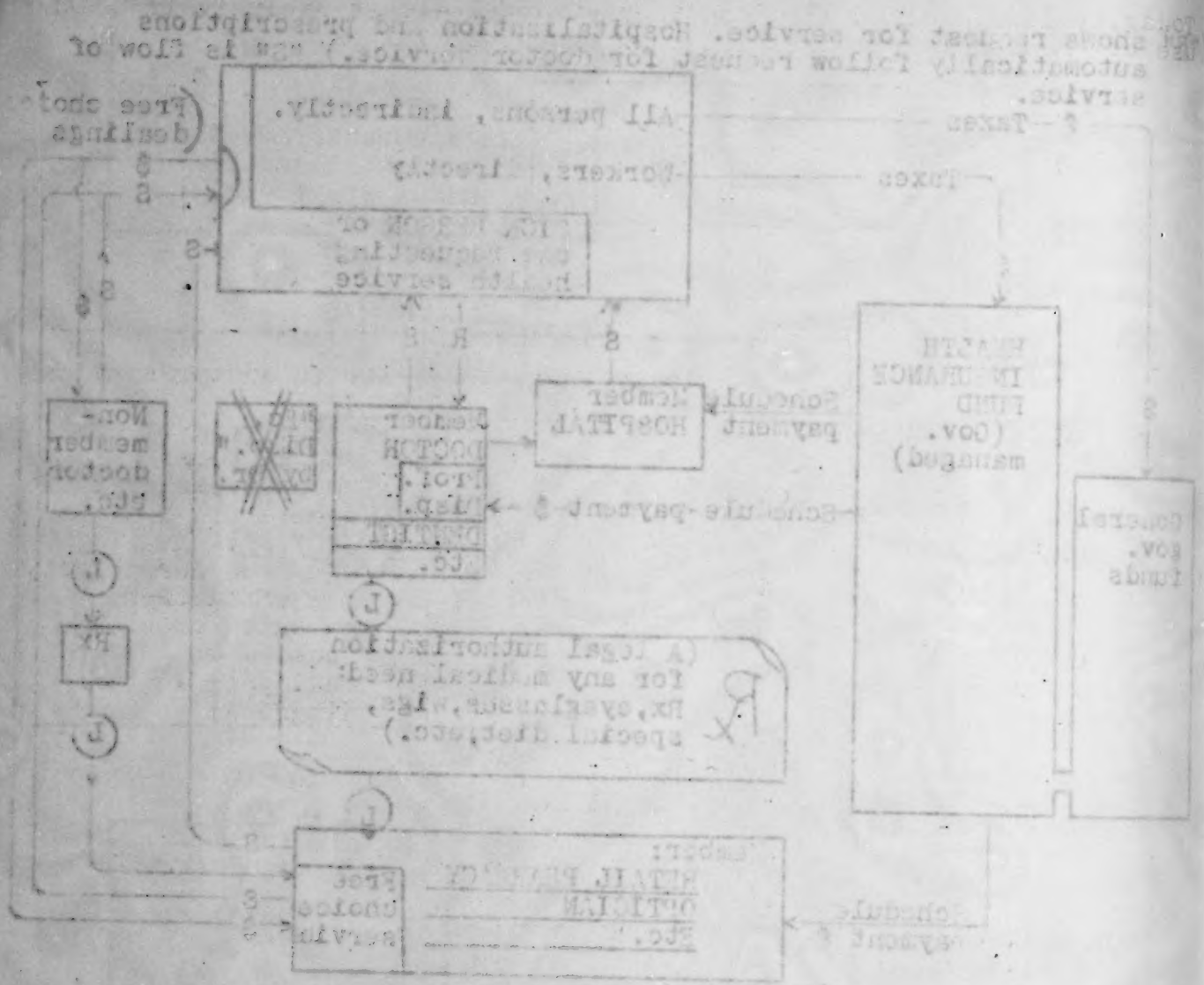


Under a compulsory health plan, the payment and the services received are not part of the same transaction.

What free choice exists is shown at the extreme right. (Not always allowed.)

The goal of compulsory plans is always economic efficiency. Professions may suffer much until the plan is taken for granted by all.

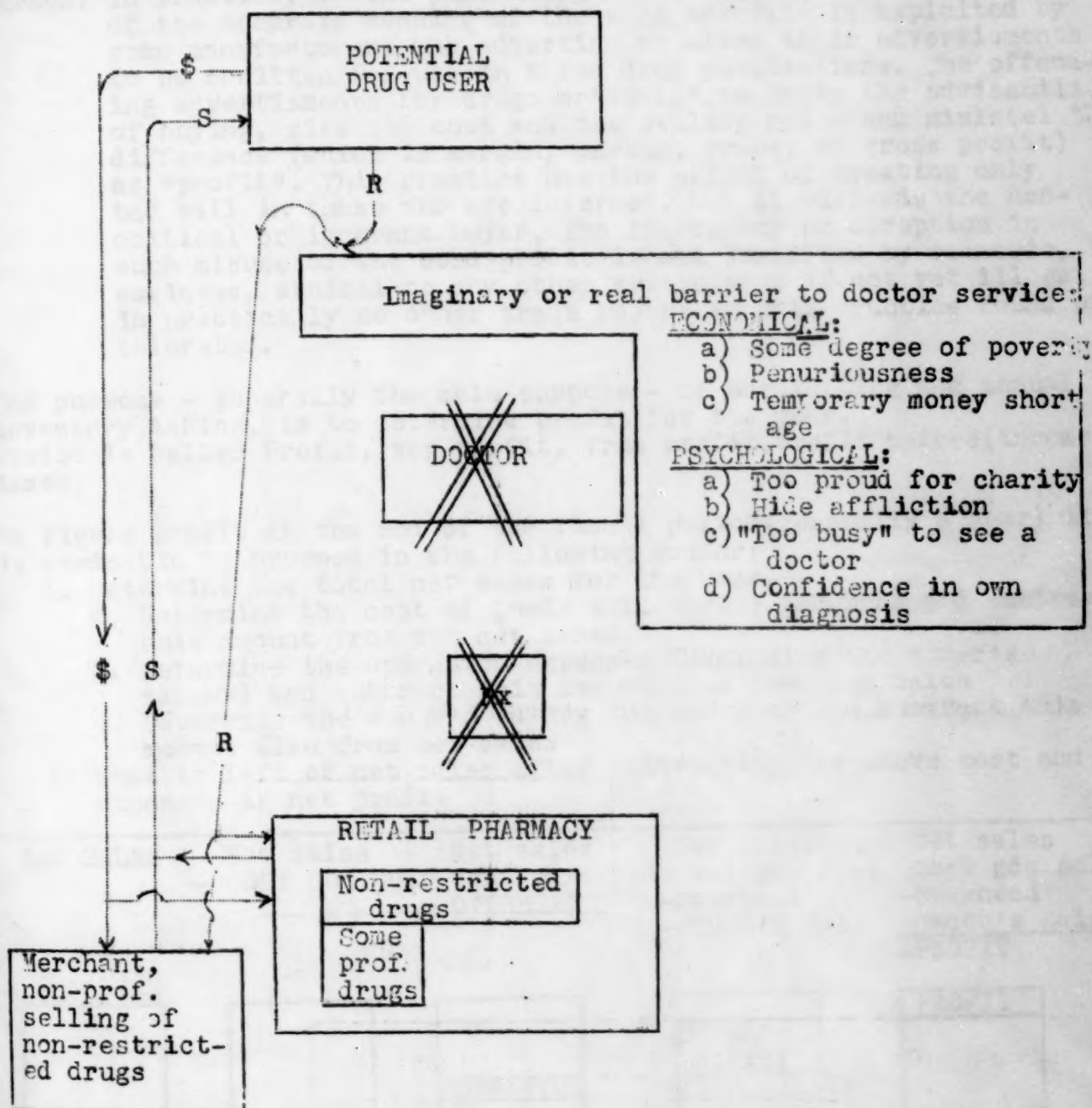
COMBINED HEALTH INSURANCE



Under a compulsory health plan, the patient and the services received are not part of the same transaction. The goal of compulsory plan is always economic efficiency. Professionals may suffer much until the plan is taken for granted by all. But free choice exists in some of the extreme right. (Not always allowed)

SOME CAUSES OF SELF MEDICATION

Today, by laws, self medication is restricted almost exclusively to the use of "household remedies and some patent medicines.

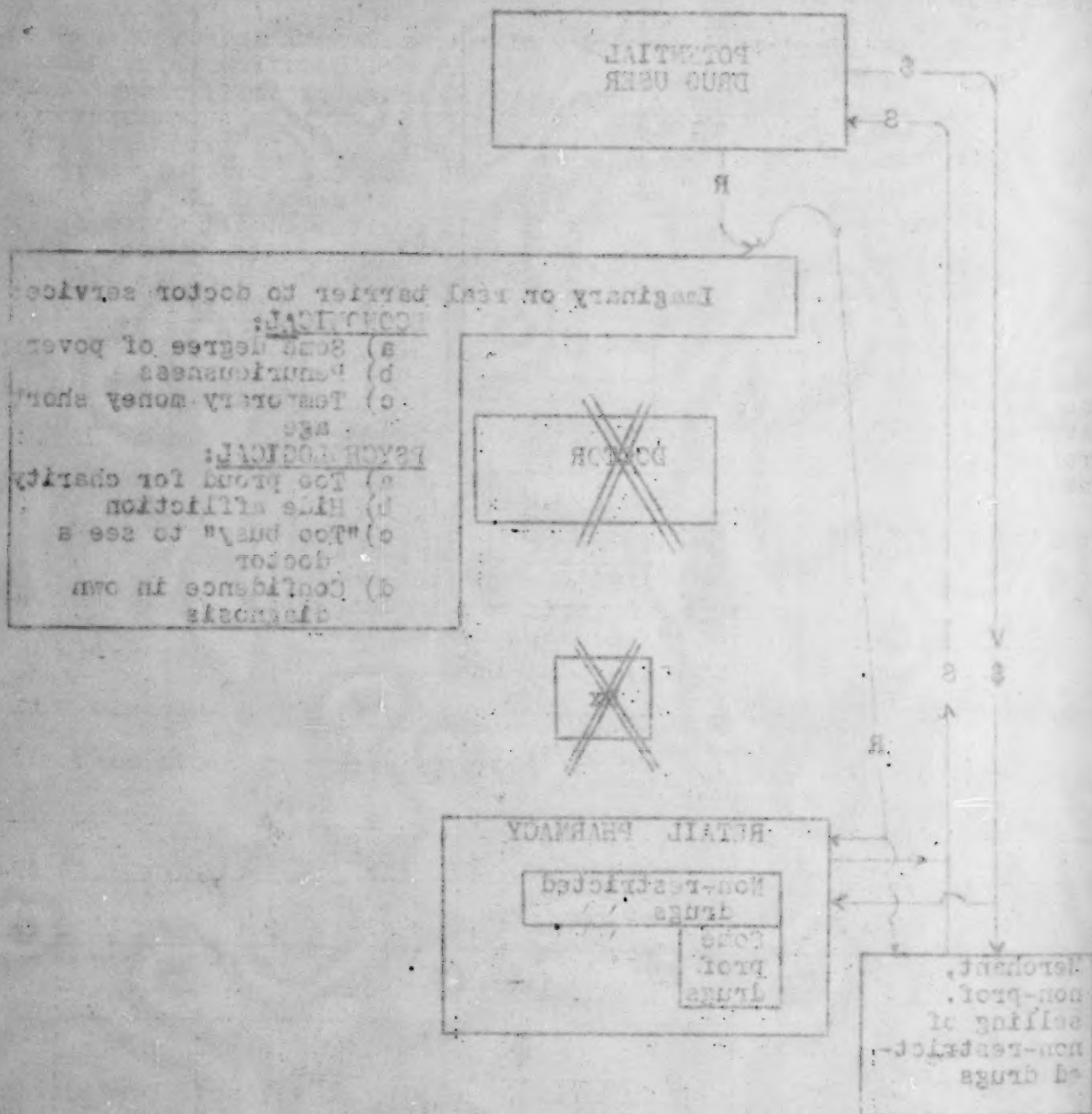


"R" shows legal request for drugs

"S" shows flow of services or material

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P R O F I T

All pharmacists do not figure annual drug store profit in the same way. Some "profit" figures are inaccurate.

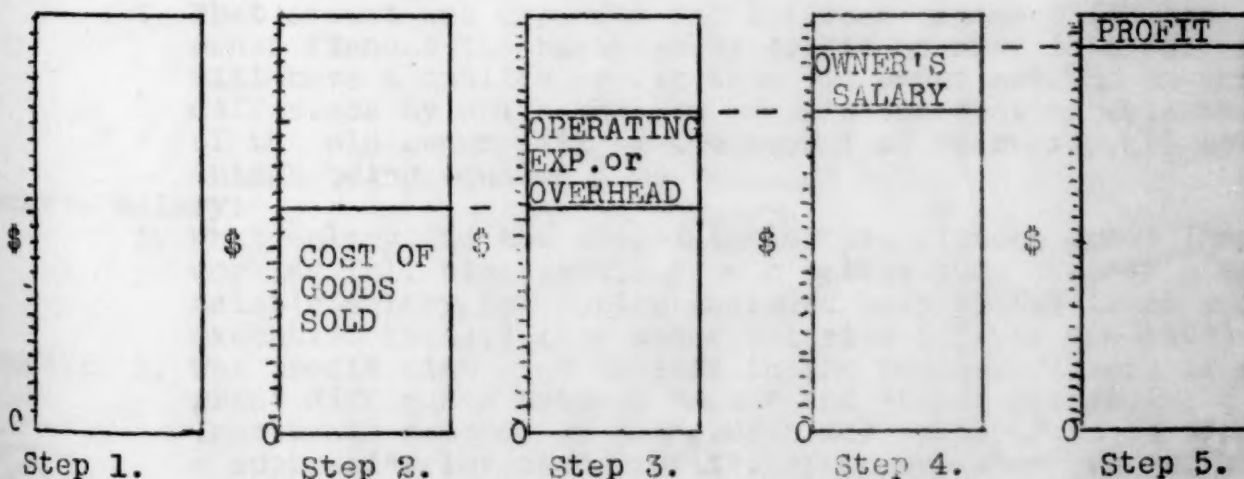
Sermon: In practice, at the purchasing activity level, this ignorance of the accurate meaning of the word "profit" is exploited by some manufacturers who advertise or allow their advertisements to be rewritten for use in a few drug publications. The offending advertisements for drugs or "deals", to prove the advisability of buying, give the cost and the selling price and mislabel the difference (which is margin, markup, gross, or gross profit) as "profit". This practice has the effect of creating only bad will in those who are informed, but it misleads the non-critical or ignorant buyer. The inaccuracy or deception in such misuse of the word "profit" is not justified by economic, business, ethical or any other system, even if not yet illegal. In practically no other trade papers is this practice found or tolerated.

One purpose - generally the main purpose - of bookkeeping and annual inventory taking, is to determine profit for the year. Profit is called Profit, Net profit, True profit, Profit before (income) taxes.

To figure profit at the end of the fiscal period (generally a year) it is advisable to proceed in the following manner:

1. Determine the total net sales for the year.
2. Determine the cost of goods sold during the year and subtract this amount from the net sales
3. Determine the operation expenses (excluding the owner's salary) and subtract this amount also from net sales
4. Determine the owner's salary for the year and subtract this amount also from net sales
5. What is left of net sales after subtracting the above cost and expenses is net profit

NET SALES	Net sales	Net sales	Net sales	Net sales
	- COST GDS. SOLD	-Cost gds. sold	-Cost gds. sold	-Cost gds. sold
		-OVERHEAD	-Overhead	-Overhead
			-OWNER'S SAL.	-Owner's sal.
				=PROFIT



(In marking up goods, the process is reversed. Theoretically, we add to cost of goods sold, the operating expenses, owner's salary and profit, and obtain the selling price.)

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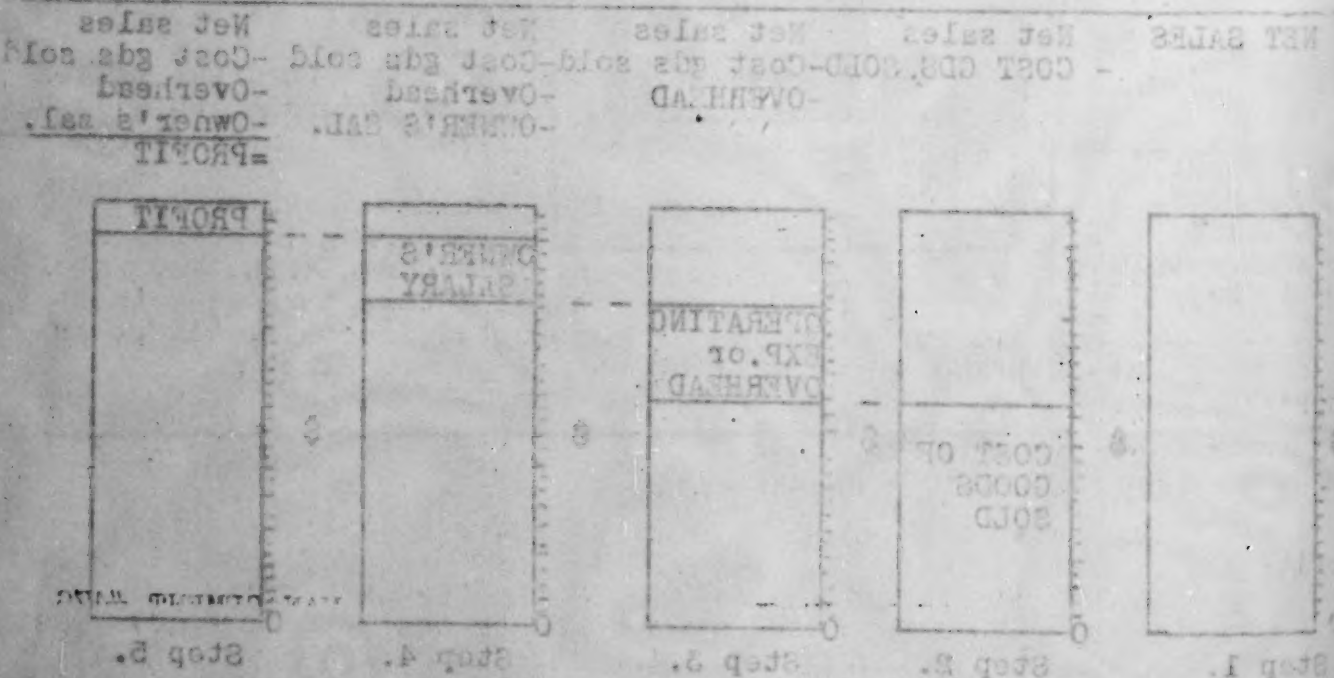
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(In marking up goods, the process is reversed. Theoretically, we add to the cost of goods sold, the operation expenses, owner's salary and profit, and obtain the selling price.)

If net profit of a drug store is to be the basis upon which the value of a drug store is to be figured, the purchaser of the business must be particularly careful in establishing the method by which the "profit" was figured. The purchaser should find answers for each of the following questions:

- General:
1. Are books of account kept? (Examine them for system as much as for accuracy of figures)
 2. Are the annual stock and fixture inventories determined by estimate or physical means? (Estimates can be seriously in error.)
 3. Were economic conditions of the locality and the nation much different from those you forecast? (Make necessary adjustments in profit figure for the future.)

Net Sales:

1. Were net sales the result of activities the new owner wishes or can carry on? (Toys, food, liquor, etc.)

Cost of Goods Sold:

1. Was the stock inventory figure used in determining "profit" estimated or physically determined? (Obsolescence of Rx dept. items is already serious and will become more serious as present trends continue.)
2. Is stock saleable? (condition, sizes, etc.)
3. Was stock inventory fairly evaluated? (Methods: Cost?, Market cost?, Lowest of these two?) (Examine fire insurance coverage amount as some - but not conclusive - evidence of value)

Overhead Expenses:

1. What wages were paid - both as dollars and as a percentage of sales? (If unpaid or underpaid son, wife, or relative performed work whom the buyer must replace with costlier help, the profit figure is inflated.)
2. What rent does the business pay? (If new owner must pay higher rent his profit will be lower. If old owner paid "no rent for I own the building", new owner's profit may be non-existent unless the old owner charged taxes, repairs, etc. to the business, when new owner's profit will be decreased)
3. What depreciation-of-fixtures amount was charged to business expenses? (This figure is frequently omitted from druggists figures, with the result that "profit" is inflated.) (Was amount adequate?)
4. What amount was expended for interest expense? (If new owner finances the business by credit drawing interest, he will have a smaller profit than old owner had. The amount of difference by which the new owner's interest exceeds that of the old owner will be the amount of decrease, all other things being equal.)

Owner's Salary:

1. What salary did the proprietor or proprietors draw? (Owners working full time should draw a better than average pharmacist's salary, for duties included both professional and executive tasks.) (Low owner salaries inflate "profit")

- Profit:
1. Was profit withdrawn or left in the business? (There is a great difference between "make" and "take" profit. Inaccurate records or management may easily fail to disclose a supposed "reinvested profit". "Take profits" are quickly missed in business if they were not true profit.)

Other questions concerning profit are satisfactorily answered if records disclose a reasonable consistency from year to year for sales, credit sales, purchases, borrowings, repairs, utility costs, etc.

Use average profit for several years. Adjust for economic changes.

It is not profit of a firm alone to be the basis upon which the value of a firm is to be determined, the purpose of the business must be ascertained. The purpose should be ascertained by which the "profit" is determined. The purpose should be ascertained by which the "profit" is determined. The purpose should be ascertained by which the "profit" is determined.

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1. Were net sales the result of activities the new owner wishes or can carry out (Toys, food, liquor, etc.)

2. Was the stock inventory figure used in determining profit estimated or physically determined? (Obsolescence of Rx drugs, items is already serious and will become more serious as present trends continue.)

3. Is stock saleable? (Condition, times, etc.)

4. Was stock inventory fairly evaluated? (Methods: Cost, Market cost, lowest of these two) (Examine fire insurance coverage amount as some - but not conclusive - evidence of value)

1. What wages were paid - both as dollars and as a percentage of sales? (If unpaid or underpaid son, wife, or relative performed work which the buyer must replace with costlier help, the profit figure is inflated.)

2. What rent does the business pay? (If new owner must pay higher rent his profit will be lower. If old owner paid "no rent for I own the building", new owner's profit may be nonexistent unless the old owner charged taxes, repairs, etc. to the business, when new owner's profit will be decreased.)

3. What depreciation of fixtures amount was charged to business expenses? (This figure is frequently omitted from operating figures, with the result that "profit" is inflated.) (Was amount adequate?)

4. What amount was expended for interest expense? (If new owner finances the business by credit drawing interest, he will have a smaller profit than old owner and the amount of difference by which the new owner's interest exceeds that of the old owner will be the amount of decrease, all other things being equal.)

1. What salary did the proprietor or proprietor draw? (Owner's salary should show a better than average pharmaceutical salary for duties included both professional and executive tasks.) (Low owner salaries will be "profit")

2. Was profit shown or left in the business? (There is a great difference between "net" and "gross" profit. Incomplete records or arrangements may easily fail to disclose a supposed "retained profit", "gross profit" and quickly mislead in business if they were not true profit.)

Other questions concerning profit are: Has the owner kept records of purchases, borrowings, receipts, utility costs, etc. the average profit for several years. Adjust for economic changes.

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NOTICE TO CLASS:

Standard caption for all transcribed notes
(Top right hand corner):

- 1) Lecture No. _____
- 2) MANAGEMENT
- 3) Date of Lecture.
- 4) (Your name)

Due next school day - Room 309.

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One next school day - Room 309.

4) (Your name)

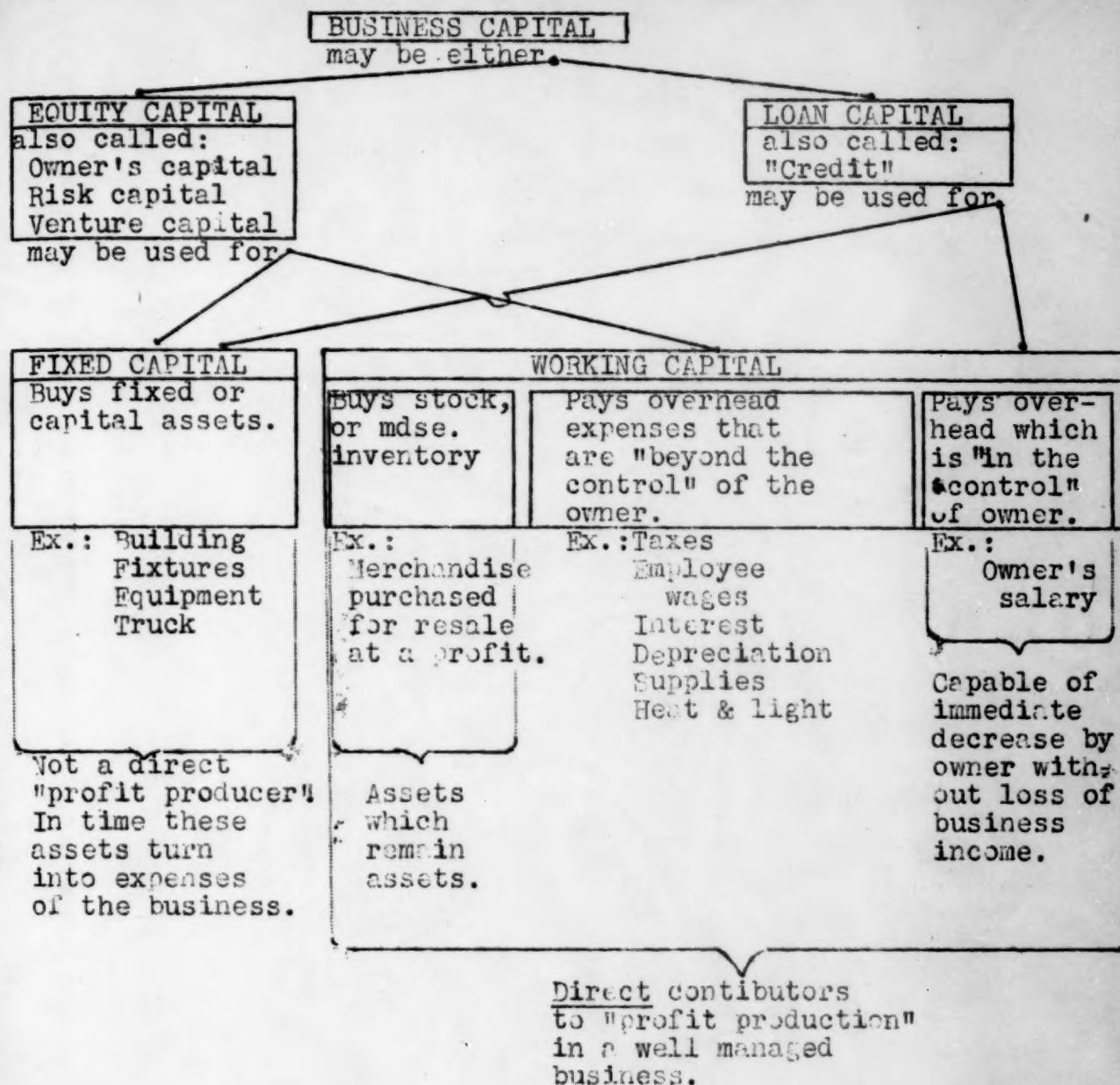
3) Date of Lecture.

2) MANAGEMENT

1) Lecture No. _____

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Standard caption for all photos



From the chart above it can be seen why "working capital" is easier to obtain than "fixed capital". Working capital produces profit. Why it is harder to obtain capital to open a business than to get capital to operate (continue) a business is illustrated below. In "OPENING FINANCE" (starting a business) the proportions of used capital may be as follows:

FIXED CAPITAL
used is very large.
"Frozen capital"

WORKING CAPITAL (profit producer)

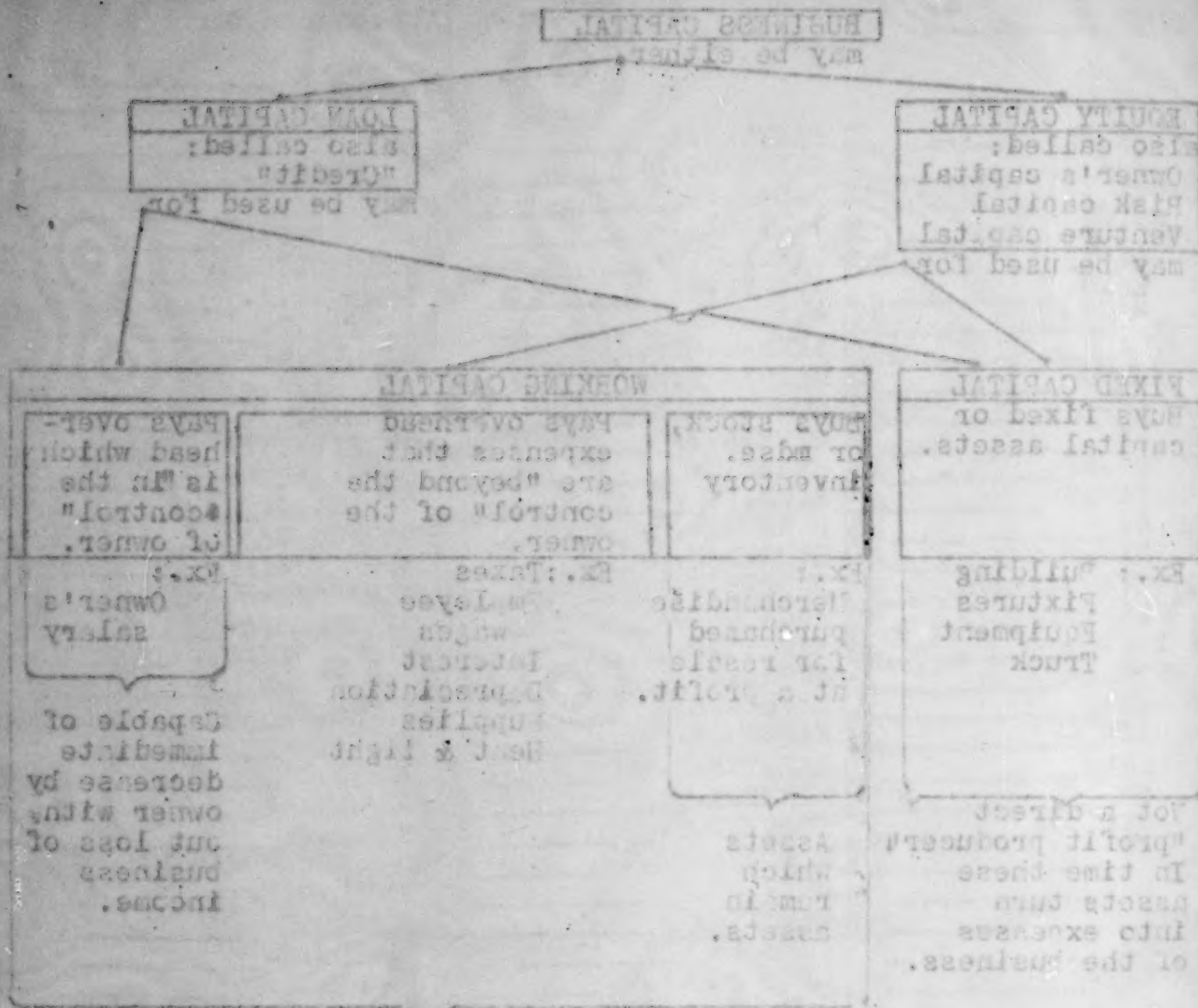
Based on NO PAST EXPERIENCE to indicate possible success.

In "OPERATING FINANCE" (a going business) the proportions may be:

FIXED CAPITAL
(None or small)

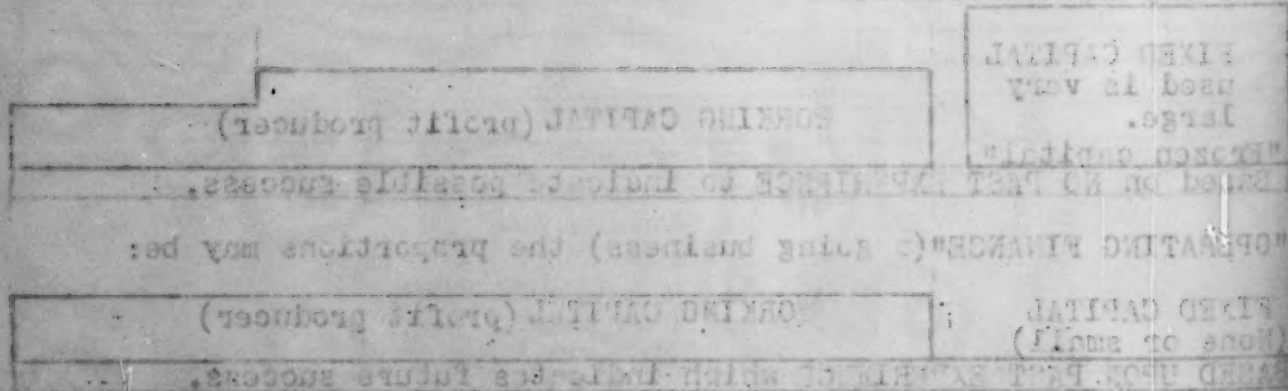
WORKING CAPITAL (profit producer)

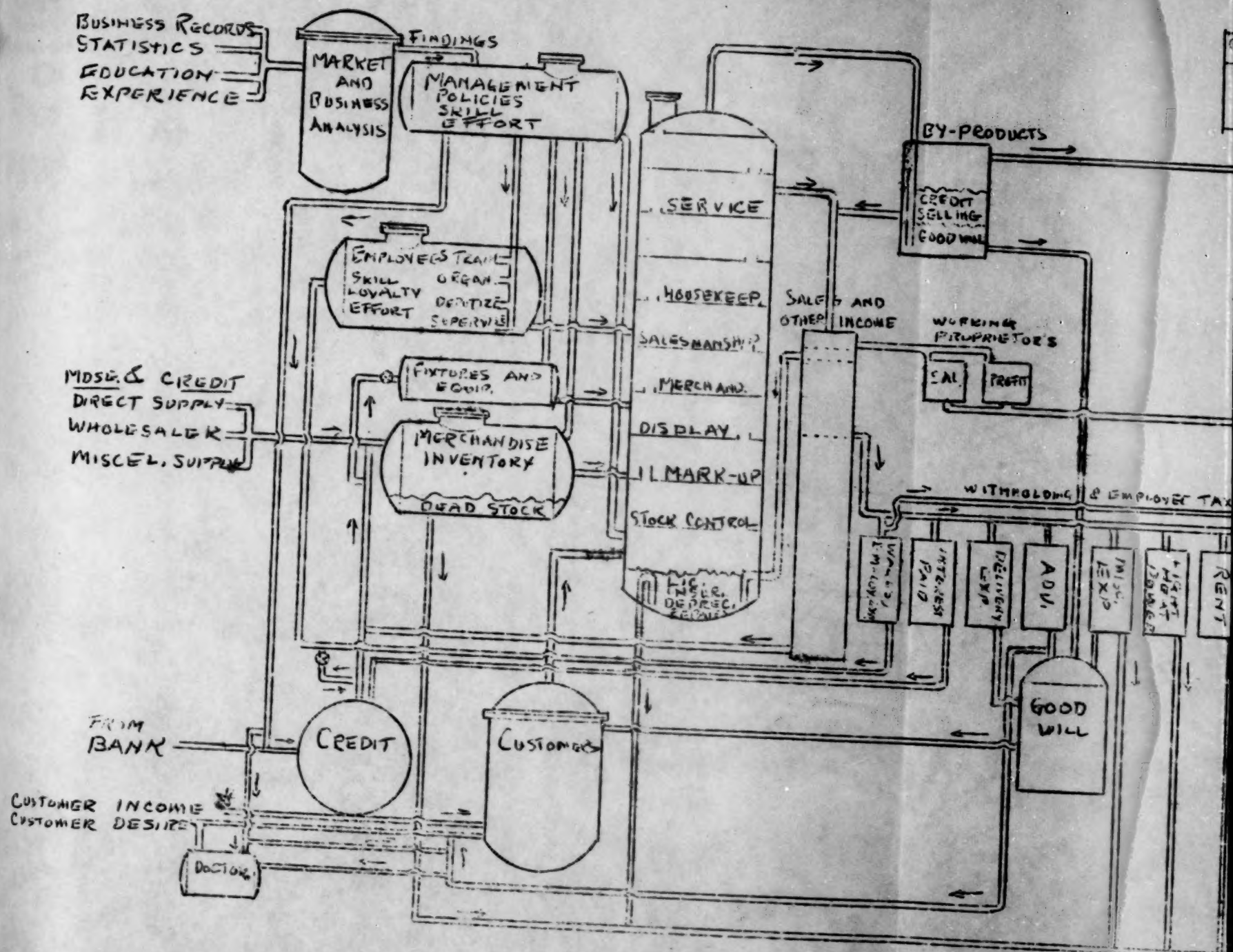
BASED UPON PAST EXPERIENCE which indicates future success.



Direct contributors
to "profit production"
in a well managed
business.

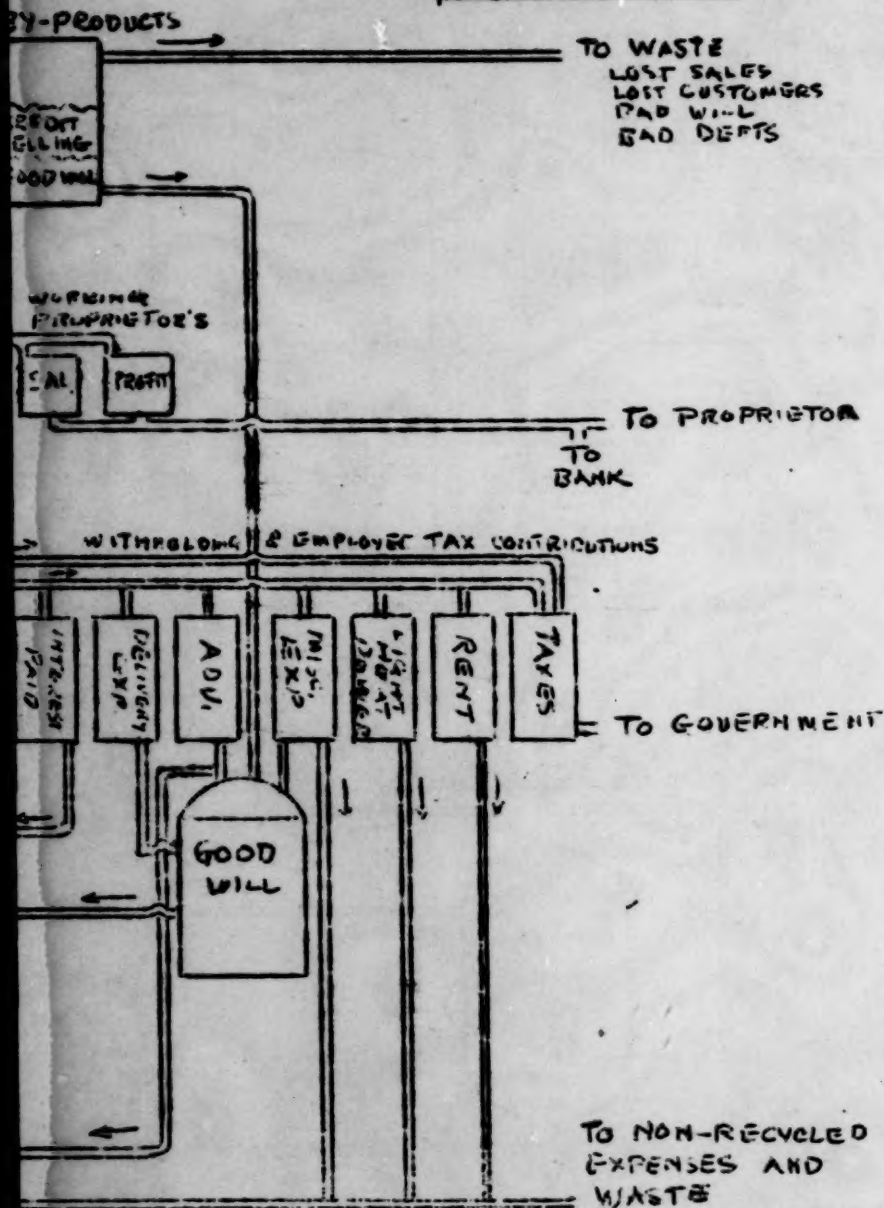
From the chart above it can be seen why "working capital" is easier to obtain than "fixed capital". Working capital produces profit. Why it is harder to obtain capital to open a business than to get capital to operate (continue) a business is illustrated below. In "operating finance" (adding a business) the proportions of fixed capital may be as follows:





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117 CONSUMERS AVE. CROFTON

FLOW DIAGRAM OF RETAIL DRUG BUSINESS



NET PROFIT and STOCK INVENTORY

YEAR	NET PROFIT	VALUE AT COST OF MDSE. STOCK	INVENTORY AS A % OF NET PROFIT	RATIO OF NET PROFIT TO INVENT. Profit-Invent.	NET PROFIT AS A % OF STOCK INVENTORY	NET PROFIT AS % OF SALES
1938	\$ 1744.	\$ 5341.	306.2 %	1 to 3.1	32.7 %	5.5 %
1939	\$ 1937.	\$ 6454.	333.2 %	1 to 3.3	30.0 %	5.7 %
1940	\$ 2056.	\$ 6582.	320.1 %	1 to 3.2	31.2 %	5.9 %
1941	\$ 2464.	\$ 6433.	261.0 %	1 to 2.6	38.3 %	6.9 %
1942 *	\$ 3405.	\$ 6184.	182.6 %	1 to 1.8	55.1 %	8.4 %
1943 *	\$ 4628.	\$ 6363.	137.4 %	1 to 1.4	72.7 %	9.9 %
1944 *	\$ 5105.	\$ 7926.	155.2 %	1 to 1.6	64.4 %	9.8 %
1945	\$ 5877.	\$ 9459.	160.9 %	1 to 1.6	62.1 %	9.5 %
1946	\$ 5951.	\$10487.	176.2 %	1 to 1.8	56.8 %	8.6 %
1947	\$ 5362.	\$12257.	228.5 %	1 to 2.3	43.8 %	7.0 %
1948	\$ 5401.	\$13779.	255.1 %	1 to 1.6	39.2 %	6.3 %
1949 °	\$ 2203.	\$12112.	549.8 %	1 to 5.5	18.2 %	3.2 %
Totals	46133.	103377.				
12-year average	3844.	8615.	224.0 %	1 to 2.2	44.6 %	7.2 %

(*) Full years of war: Shortages of merchandise in most drug store lines. Great purchasing power of customers. Low operating expenses.

(°) Progress (partial) report. Figures based upon returns from 318 drug stores.

All of the above figures are found in or are based upon figures in LILLY DIGEST reports.

STOCK INVENTORY, COST OF GOODS SOLD, SALES

YEAR	1. SALES	2. COST OF GOODS SOLD	3. COST OF GOODS SOLD AS A % OF SALES	4. STOCK INVENT. AT COST VALUE	5. ANNUAL RATE OF TURNOVER OF INVEST- MENT IN STOCK	6. STOCK INVENT. AS A % OF SALES	7. RATIO OF INVENT. TO SALES Inv.-S.	8. NET PROFIT AS A % OF SALES
1938	\$31,596.	\$20,993.	66.5%	\$ 5,341.	3.9	16.9%	1 to 5.9	5.5%
1939	\$33,982.	\$22,861.	67.3%	\$ 6,454.	3.5	19.0%	1 to 5.3	5.7%
1940	\$34,882.	\$23,412.	67.1%	\$ 6,582.	3.6	18.9%	1 to 5.3	5.9%
1941	\$36,005.	\$24,345.	67.6%	\$ 6,433.	3.8	17.9%	1 to 5.6	6.9%
1942*	\$40,514.	\$27,514.	68.0%	\$ 6,184.	4.5	15.3%	1 to 6.6	8.4%
1943*	\$46,916.	\$31,616.	67.4%	\$ 6,363.	5.0	13.6%	1 to 7.4	9.9%
1944*	\$52,297.	\$35,283.	67.5%	\$ 7,926.	4.5	15.2%	1 to 6.6	9.8%
1945	\$62,038.	\$41,565.	67.0%	\$ 9,459.	4.4	15.3%	1 to 6.6	9.5%
1946	\$69,422.	\$46,995.	67.7%	\$10,487.	4.5	15.1%	1 to 6.6	8.6%
1947	\$76,520.	\$51,812.	67.7%	\$12,257.	4.2	16.0%	1 to 6.2	7.0%
1948	\$86,059.	\$58,043.	67.4%	\$13,779.	4.2	16.0%	1 to 6.3	6.3%
1949 ^o	\$69,571.	\$48,481.	69.7%	\$12,112.	4.0	17.4%	1 to 5.7	3.2%
Total	\$639,775.	\$432,951.		\$103,377.				
12-yr. aver- age	\$53,315.	\$36,079.	67.7%	\$ 8,615.	4.2	16.2%	1 to 6.2	7.2%

(*) Full year of war.

(^o) Progress (partial) report based upon figures from 318 drug storesAll above figures are from or are based upon figures from the
LILLY DIGEST reports.

NET PROFIT and TOTAL SALES

YEAR	SALES	NET PROFIT (before taxes)	SALES AS A % OF NET PROFIT	RATIO OF NET PROFIT TO SALES <u>Profit-Sales</u>	NET PROFIT AS A % OF SALES
1938	\$ 31,569.	\$ 1,744.	1810. %	1 to 18.1	5.5 %
1939	\$ 33,982.	\$ 1,937.	1754. %	1 to 17.5	5.7 %
1940	\$ 34,882.	\$ 2,056.	1696. %	1 to 17.0	5.9 %
1941	\$ 36,005.	\$ 2,464.	1461. %	1 to 14.6	6.9 %
1942 *	\$ 40,514.	\$ 3,405.	1189. %	1 to 11.9	8.4 %
1943 *	\$ 46,916.	\$ 4,628.	1013. %	1 to 10.1	9.9 %
1944 *	\$ 52,297.	\$ 5,105.	1024. %	1 to 10.2	9.8 %
1945	\$ 62,038.	\$ 5,877.	1055. %	1 to 10.6	9.5 %
1946	\$ 69,422.	\$ 5,951.	1166. %	1 to 11.7	8.6 %
1947	\$ 76,520.	\$ 5,362.	1427. %	1 to 14.3	7.0 %
1948	\$ 86,059.	\$ 5,401.	1593. %	1 to 15.9	6.3 %
1949 °	\$ 69,571.	\$ 2,203.	3158. %	1 to 31.6	3.2 %
Totals	\$639,775.	\$46,133.			
12-year average	\$ 53,315.	\$ 3,844.	1386. %	1 to 13.9	7.2 %

(*) Full year of war.

(°) Progress (partial) Report based upon figures from 318 drug stores.

All figures are either taken from or calculated from figures in
LILLY DIGEST reports.

NET PROFIT AND TOTAL SALES

YEAR	SALES	NET PROFIT (before taxes)	AS A % OF NET PROFIT	SALES	AS A % OF NET PROFIT	RATIO OF NET PROFIT TO SALES	NET PROFIT AS A % OF SALES
1938	\$ 31,388.	\$ 1,744.	5.5%	1810.	1810.	1 to 18.1	5.5%
1939	\$ 33,382.	\$ 1,937.	5.7%	1784.	1784.	1 to 17.8	5.7%
1940	\$ 34,882.	\$ 2,056.	5.9%	1886.	1886.	1 to 17.0	5.9%
1941	\$ 36,007.	\$ 2,464.	6.8%	1481.	1481.	1 to 14.8	6.8%
1942 *	\$ 40,514.	\$ 3,405.	8.4%	1189.	1189.	1 to 11.9	8.4%
1943 *	\$ 46,916.	\$ 4,628.	9.8%	1013.	1013.	1 to 10.1	9.8%
1944 *	\$ 52,237.	\$ 5,105.	9.8%	1034.	1034.	1 to 10.3	9.8%
1945	\$ 62,038.	\$ 5,877.	9.5%	1055.	1055.	1 to 10.5	9.5%
1946	\$ 69,422.	\$ 5,951.	8.6%	1168.	1168.	1 to 11.7	8.6%
1947	\$ 78,220.	\$ 5,382.	6.9%	1327.	1327.	1 to 13.3	6.9%
1948	\$ 86,039.	\$ 5,401.	6.3%	1393.	1393.	1 to 13.9	6.3%
1949 *	\$ 89,571.	\$ 5,303.	5.9%	1583.	1583.	1 to 21.6	5.9%
Totals	\$629,775.	\$46,133.					
10-year average	\$ 83,315.	\$ 3,844.	4.6%	1386.	1386.	1 to 13.9	4.6%

(*) Full year of war.
(*) Progress (partial) Report based upon figures from 758 drug stores.

All figures are either taken from or calculated from figures in
WHOLEY DIEST REPORTS.

TOTAL EXPENSES and TOTAL SALES						
YEAR	1. SALES	2. TOTAL EXPENSES	3. SALES AS A % OF TOTAL EXPENSES	4. RATIO OF EXPENSES TO SALES Exp. - sales	5. EXPENSES AS A % OF SALES	6. NET PROFIT AS A % OF SALES
1938	\$ 31,569.	\$ 8,832.	358.4 %	1 to 3.6	28.0 %	5.5 %
1939	\$ 33,982.	\$ 9,184.	370.0 %	1 to 3.7	27.0 %	5.7 %
1940	\$ 34,882.	\$ 9,414.	370.5 %	1 to 3.7	27.0 %	5.9 %
1941	\$ 36,005.	\$ 9,196.	391.5 %	1 to 3.9	25.5 %	6.9 %
1942 *	\$ 40,514.	\$ 9,564.	423.6 %	1 to 4.2	23.6 %	8.4 %
1943 *	\$ 46,916.	\$10,672.	439.6 %	1 to 4.4	22.7 %	9.9 %
1944 *	\$ 52,297.	\$11,909.	439.1 %	1 to 4.4	22.7 %	9.8 %
1945	\$ 62,038.	\$14,596.	425.0 %	1 to 4.3	23.5 %	9.5 %
1946	\$ 69,422.	\$16,476.	421.4 %	1 to 4.2	23.7 %	8.6 %
1947	\$ 76,520.	\$19,436.	393.7 %	1 to 3.9	25.3 %	7.0 %
1948	\$ 86,059.	\$22,615.	380.5 %	1 to 3.8	26.3 %	6.3 %
1949 °	\$ 69,571.	\$18,887.	368.4 %	1 to 3.7	27.1 %	3.2 %
Total	\$ 639,775.	\$160,781.				
12-year average	\$53,315.	\$13,398.	397.9 %	1 to 4.0	25.1 %	7.2 %

(*) Full year of war.

(°) Progress (partial) report. Based on figures from 318 drug stores.

All figures above are from or calculated from figures found in
LILLY DIGEST reports.

Calculations:

Column 3 :: Col. 1. divided by Col. 2.

Column 4 :: Col. 3. divided by 100 (for second part of ratio)

Column 5 :: Col. 2. divided by Col. 1.

Gross margin :: Col. 5. and Col. 6.

If the figure in column 5 increases while figure in column 6 decreases,
study must be made to see if - 1. Volume can be increased (on same exp.)
2. Markup can be increased (Competition?)
3. Buying can be improved (Cost decreased)
4. Expenses can be cut (but not at
price of decreasing living
standards of self or employees
below that due a professional man.)

YEAR	1. SALES	2. TOTAL EXPENSES	3. SALES AS A % OF TOTAL EXPENSES	4. RATIO OF EXPENSES TO SALES (Exp. - sales)	5. EXPENSES AS A % OF SALES	6. NET PROFIT AS A % OF SALES
1939	\$ 81,529.	\$ 8,323.	358.4 %	1 to 3.6	28.0 %	5.5 %
1939	\$ 83,932.	\$ 9,184.	370.0 %	1 to 3.7	27.0 %	5.7 %
1940	\$ 84,882.	\$ 9,414.	370.5 %	1 to 3.7	27.0 %	5.8 %
1941	\$ 86,005.	\$ 9,196.	381.5 %	1 to 3.8	25.8 %	6.9 %
1942	\$ 40,514.	\$ 9,561.	423.8 %	1 to 4.2	23.6 %	6.4 %
1943	\$ 46,916.	\$ 10,672.	439.6 %	1 to 4.4	22.7 %	6.9 %
1944	\$ 52,327.	\$ 11,508.	454.1 %	1 to 4.4	22.7 %	7.6 %
1945	\$ 62,038.	\$ 14,583.	425.0 %	1 to 4.3	23.5 %	6.5 %
1946	\$ 63,422.	\$ 16,476.	421.4 %	1 to 4.2	23.7 %	6.6 %
1947	\$ 76,220.	\$ 19,433.	392.7 %	1 to 3.9	25.2 %	7.0 %
1948	\$ 86,039.	\$ 22,615.	380.5 %	1 to 3.8	26.3 %	6.3 %
1949	\$ 89,571.	\$ 18,887.	368.4 %	1 to 3.7	27.1 %	3.2 %
Total	\$ 839,775.	\$ 180,781.				
12-year average	\$ 63,315.	\$ 13,328.	397.3 %	1 to 4.0	25.1 %	7.2 %

(*) Full year of war.
 (o) Progress (partial) report. Based on figures from 318 drug stores.

If figures above are from or calculated from figures found in JULY DIGEST reports.

Calculations:

Gross margin :: Col. 5 and Col. 6.
 Column 5 :: Col. 2 divided by Col. 1.
 Column 4 :: Col. 3 divided by 100 (for second part of ratio)
 Column 3 :: Col. 1 divided by Col. 2.

If the figure in column 5 increases while figure in column 6 decreases, study must be made to see if - 1. Volume can be increased (on same exp.)
 2. Margin can be increased (Competition?)
 3. Paying can be improved (Cost decreased)
 4. Expenses can be cut (but not at price of decreasing living standards of self or employees below that of a professional man.)

ACCOUNTING PROBLEMS
OF THE RETAIL DRUG STORE

Dr. William E. Dickerson
The Ohio State University

ACCOUNTING PRINCIPLES
OF THE RETAIL TRADING STORE

By William F. Dickerson
The Ohio State University

Accounting Records and Reports
With Special Reference to their Use by Drug Stores

I Nature and use of accounting records and reports

- A. Provide an analysis of financial condition and changes therein.
- B. Provide a statistical record of the financial results of operations.
- C. Reports present information which is collected, classified and summarized in the records.
- D. Records and reports are useful in
 - 1. Guidance and control of operations
 - 2. Maintaining solvency
 - 3. Obtaining loans and credit
 - 4. Judging the efficiency of managers
 - 5. Measuring the performance of employees
 - 6. Discouraging dishonesty
 - 7. Avoiding disputes with customers and creditors
 - 8. Placement and collection of insurance
 - 9. Preparation of tax returns
 - 10. Negotiating sale of business
- E. Cost of adequate accounting records .
- F. Cost of inadequate accounting records

II The basic accounting statements

- A. The statement of financial condition
 - 1. Content
 - (a) Nature and relationship of items included
 - (b) Assignment of values
 - 2. Form
 - (a) Grouping of items
 - (b) Basis of classification
 - (c) Questions of sequence
 - (d) Customary practices in connection with titles, use of columns, rulings, etc.
- B. The Statement of Income and Expense
 - 1. Content
 - (a) Nature and relationship of items included
 - (b) Determination of amounts
 - 2. Form
 - (a) Grouping of items
 - (b) Basis of classification
 - (c) Questions of sequence
 - (c) Customs

III Analysis and interpretation of financial statements

- A. Direct reference to statements satisfies many needs
- B. Analysis and interpretation necessary in other cases
- C. Techniques of analysis
 - 1. Comparisons
 - (a) Of identical items at different dates
 - (b) Of related items at different dates
 - (c) With experiences of similar business units
 - (d) With budgeted amounts.
 - 2. Use of ratios
- D. Standards required for interpretation
 - 1. Nature and use of standards
 - 2. Development of standards
- E. Discussion of illustrative case

1. Nature and use of accounting records and reports

1. To provide an analysis of financial condition and changes therein.
2. To provide a statistical record of the financial results of operations.
3. To provide a permanent record of financial transactions which are collected, classified and summarized.
4. To provide a basis for the determination of the financial results of operations.
5. To provide a basis for the determination of the financial results of operations.
6. To provide a basis for the determination of the financial results of operations.
7. To provide a basis for the determination of the financial results of operations.
8. To provide a basis for the determination of the financial results of operations.
9. To provide a basis for the determination of the financial results of operations.
10. To provide a basis for the determination of the financial results of operations.

II. The basic accounting statements

1. The statement of financial position
2. The statement of income
3. The statement of cash flows
4. The statement of equity
5. The statement of operations
6. The statement of financial results
7. The statement of financial position
8. The statement of income
9. The statement of cash flows
10. The statement of equity
11. The statement of operations
12. The statement of financial results
13. The statement of financial position
14. The statement of income
15. The statement of cash flows
16. The statement of equity
17. The statement of operations
18. The statement of financial results
19. The statement of financial position
20. The statement of income
21. The statement of cash flows
22. The statement of equity
23. The statement of operations
24. The statement of financial results
25. The statement of financial position
26. The statement of income
27. The statement of cash flows
28. The statement of equity
29. The statement of operations
30. The statement of financial results

III. The basic accounting statements

1. The statement of financial position
2. The statement of income
3. The statement of cash flows
4. The statement of equity
5. The statement of operations
6. The statement of financial results
7. The statement of financial position
8. The statement of income
9. The statement of cash flows
10. The statement of equity
11. The statement of operations
12. The statement of financial results
13. The statement of financial position
14. The statement of income
15. The statement of cash flows
16. The statement of equity
17. The statement of operations
18. The statement of financial results
19. The statement of financial position
20. The statement of income
21. The statement of cash flows
22. The statement of equity
23. The statement of operations
24. The statement of financial results
25. The statement of financial position
26. The statement of income
27. The statement of cash flows
28. The statement of equity
29. The statement of operations
30. The statement of financial results

THE LANE PHARMACY
Comparative Statement of Financial Condition
As at December 31, 1947 and 1946

ASSETS	1947		1946		Increases and (decreases)	% of change
	Amount	% of total	Amount	% of total		
Current assets:						
Cash on hand and in bank.	\$ 3,300	13.2%	\$ 3,700	16.8%	\$ (400)	(10.8)%
Due from customers.	900	3.6	700	3.2	200	28.6
Merchandise on hand.	<u>12,800</u>	<u>51.2</u>	<u>11,200</u>	<u>50.9</u>	<u>1,600</u>	<u>14.3</u>
Total current assets.	\$17,000	68.0%	\$15,600	70.9%	\$ 1,400	9.0
Equipment (at cost less depreciation)	4,800	19.2	3,230	14.7	1,570	48.6
Goodwill.	3,000	12.0	3,000	13.6		17.6
Other assets.	<u>200</u>	<u>0.8</u>	<u>170</u>	<u>.8</u>	<u>30</u>	<u>13.6</u>
Total assets.	<u>\$25,000</u>	<u>100.0%</u>	<u>\$22,000</u>	<u>100.0%</u>	<u>\$ 3,000</u>	
LIABILITIES AND CAPITAL						
Current liabilities:						
Accounts payable.	\$ 2,600	10.4%	\$ 2,500	11.4%	\$ 100	4.0
Notes payable.	640	2.6	600	2.7	40	6.7
Taxes withheld.	<u>360</u>	<u>1.4</u>	<u>300</u>	<u>1.4</u>	<u>60</u>	<u>20.0</u>
Total current liabilities.	\$ 3,600	14.4%	\$ 3,400	15.5%	\$ 200	5.9
Notes payable — deferred maturities.	<u>2,000</u>	<u>8.0</u>	<u>1,000</u>	<u>4.5</u>	<u>1,000</u>	<u>100.0</u>
Total liabilities.	\$ 5,600	22.4%	\$ 4,400	20.0%	\$ 1,200	27.3
Abner Lane — capital.	<u>19,400</u>	<u>77.6</u>	<u>17,600</u>	<u>80.0</u>	<u>1,800</u>	<u>10.2</u>
	<u>\$25,000</u>	<u>100.0%</u>	<u>\$22,000</u>	<u>100.0%</u>	<u>\$3,000</u>	<u>13.6</u>

THE LANE PHARMACY
Comparative Statement of Income and Expense
For the Years Ended Dec. 31, 1946 and 1947

	1947	1946	Increases and (decreases)	% of change	Percentage of Net Sales		
					1947	1946	Other stores
Sales	\$80,000	\$75,000	\$ 5,000	6.7%	100.0%	100.0%	100.0%
Cost of goods sold.	<u>54,000</u>	<u>51,000</u>	<u>3,000</u>	5.9	<u>67.5</u>	<u>68.0</u>	<u>68.0</u>
Gross profit.	\$26,000	\$24,000	\$ 2,000	8.3%	32.5%	32.0%	32.0%
Expenses:							
Salary to owner	\$ 4,800	\$ 4,800	\$		6.0%	6.4%	6.0%
Salaries to employees	8,500	8,000	500	6.3%	10.6	10.7	10.0
Rent.	1,200	1,200			1.5	1.6	2.0
Heat.	210	225	(15)	(6.7)	0.3	0.3	0.2
Light and power	500	480	20	4.2	0.6	0.6	0.6
Taxes and licenses.	740	700	40	5.7	0.9	0.9	0.8
Insurance	300	300			0.4	0.4	0.4
Interest	240	250	(10)	(4.0)	0.3	0.3	0.2
Repairs	400	210	190	90.5	0.5	0.3	0.4
Delivery.	310	300	10	3.3	0.4	0.4	0.4
Advertising	460	330	130	39.4	0.6	0.4	0.5
Miscellaneous	1,140	1,050	90	8.6	1.4	1.4	1.4
Depreciation	600	450	150	33.3	0.8	0.6	0.6
Bad debts	100	70	30	42.9	0.1	0.1	0.1
Telephone and telegraph	<u>300</u>	<u>275</u>	<u>25</u>	9.1	<u>0.4</u>	<u>0.4</u>	<u>0.3</u>
Total operating expenses.	\$19,800	\$18,640	\$ 1,160	6.2	24.8%	24.9%	23.9%
Net operating profit.	\$ 6,200	\$ 5,360	\$ 840	15.7	7.7%	7.1%	8.1%
Miscellaneous income.	<u>200</u>	<u>190</u>	<u>10</u>	5.2	<u>0.3</u>	<u>0.3</u>	<u>0.4</u>
Net Profit (after salary to owner)	<u>\$ 6,400</u>	<u>\$ 5,550</u>	<u>\$ 850</u>	15.3	<u>8.0%</u>	<u>7.4%</u>	<u>8.5%</u>

TRADER'S DRUG STORE
Comparative Statement of Financial Condition
As at Dec. 31, 1942 and 1941

Assets				Increases and decreases*
Current Assets:	1942	1941		
Cash on hand and in bank	\$ 445.37	\$ 473.67	\$ 28.30*	
Due from customers	160.20	148.00	12.20	
Merchandise on hand (at cost).	4,031.00	4,527.00	496.00*	
Deposits	50.00	45.00	5.00	
Total current assets	\$4,686.57	\$5,193.67	\$ 507.10*	
Equipment (at cost less depreciation).	3,421.50	3,765.00	343.50*	
Total Assets	<u>\$8,108.07</u>	<u>\$8,958.67</u>	<u>\$ 850.60*</u>	
Liabilities and Net Worth				
Current Liabilities:				
Accounts payable	\$ 773.50	\$1,198.19	\$ 424.69*	
Notes payable -- current maturities.	1,250.00	1,500.00	250.00*	
Social Security tax collections.	5.09	5.00	.09	
Total current liabilities.	\$2,028.59	\$2,703.19	\$ 674.60*	
Long-term Liabilities:				
Notes payable -- deferred maturities	1,800.00	3,500.00	1,700.00*	
Total Liabilities.	\$3,828.59	\$6,203.19	\$2,374.60*	
Net Worth:				
N. A. Trader -- Capital.	4,279.48	2,755.48	1,524.00	
Total Liabilities and Net Worth.	<u>\$8,108.07</u>	<u>\$8,958.67</u>	<u>\$ 850.60*</u>	

WILSON'S MEAT STORE
Comparative Statement of Financial Condition
As at Dec. 31, 1912 and 1911

Assets		Liabilities and Net Worth	
1912	1911	1912	1911
Current Assets:		Current Liabilities:	
Cash on hand and in bank	\$ 145.31	Accounts payable	\$ 717.50
Due from customers	100.51	Notes payable — current maturities	1,500.00
Merchandise on hand (at cost)	1,037.00	Social Security tax collections	2.00
Prepaid	20.00	Total current liabilities	\$2,028.50
Total current assets	\$2,686.51	Long-term Liabilities:	
Deferred (at cost less depreciation)	7,421.80	Notes payable — deferred maturities	1,500.00
Total Assets	\$2,508.01	Total Liabilities	\$2,528.50
		Net Worth:	
		W. A. Wilson — Capital	\$ 275.48
		Total Liabilities and Net Worth	\$2,508.01
Income and			
Expenses			
1912	1911		
\$ 28.30*	\$ 173.61		
15.50	148.00		
196.00*	1,521.00		
1.00	15.00		
\$ 207.10*	\$2,193.61		
341.70*	3,762.00		
\$ 548.80*	\$5,955.61		

TRADER'S DRUG STORE
Comparative Statement of Financial Condition
As at Dec. 31, 1942 and 1941

		1942		1941		
	Assets	Amount	% of total	Amount	% of total	Increases and decreases*
						% of change
Current Assets:						
Cash on hand and in bank.		\$ 145.37	5.5	\$ 473.67	5.3	\$ 28.30*
Due from customers.		160.20	2.0	148.00	1.7	12.20
Merchandise on hand (at cost)		4,031.00	49.7	4,527.00	50.5	496.00*
Deposits.		50.00	0.6	45.00	0.5	5.00
Total current assets.		\$4,686.57	57.8	\$5,193.67	58.0	\$ 507.10*
Equipment (at cost less depreciation)		3,421.50	42.2	3,765.00	42.0	343.50*
Total Assets.		<u>\$8,108.07</u>	<u>100.0</u>	<u>\$8,958.67</u>	<u>100.0</u>	<u>\$ 850.60*</u>
Liabilities and Net Worth						
Current Liabilities:						
Accounts payable.		\$ 773.50	9.5	\$1,198.19	13.4	\$ 424.69*
Notes payable -- current maturities		1,250.00	15.4	1,500.00	16.7	250.00*
Social Security tax collections		5.09	0.1	5.00	0.1	.09
Total current liabilities		\$2,028.59	25.0	\$2,703.19	30.2	\$ 674.60*
Long-term Liabilities:						
Notes payable -- deferred maturities.		1,800.00	22.2	3,500.00	39.0	1,700.00*
Total Liabilities		\$3,828.59	47.2	\$6,203.19	69.2	\$2,374.60*
Net Worth:						
W. A. Trader -- Capital		4,279.48	52.8	2,755.48	30.8	1,524.00
Total Liabilities and Net Worth		<u>\$8,108.07</u>	<u>100.0</u>	<u>\$8,958.67</u>	<u>100.0</u>	<u>\$ 850.60*</u>
						55.3
						9.5*

TRADER'S DRUG STORE
Comparative Statement of Income and Expense
For the Years Ended Dec. 31, 1942 and 1941

	<u>1942</u>	<u>1941</u>	<u>Increases and decreases*</u>	
			<u>Amount</u>	<u>Percentage</u>
Sales.	\$30,000	\$27,027	\$2,973	11.0
Cost of Goods Sold	<u>20,276</u>	<u>18,127</u>	<u>2,148</u>	11.8
Gross Profit	\$ 9,724	\$ 8,899	\$ 825	9.3
Expenses:				
Salary to owner.	\$ 2,400	\$ 2,400		
Salaries to employees.	2,137	2,000	\$ 137	6.9
Rent	1,200	1,200		
Heat	90	80	10	12.5
Light.	423	400	23	5.8
Insurance.	144	144		
Taxes.	278	240	38	15.8
Interest	90	120	30*	25.0*
Repairs.	81	70	11	15.7
Advertising.	120	80	40	50.0
Delivery expense	236	175	61	34.9
Depreciation expense	420	395	25	6.3
Bad debts.	49	45	4	8.9
Telephone and telegraph.	90	90		
Miscellaneous expense.	<u>562</u>	<u>350</u>	<u>212</u>	60.6
Total expenses	<u>\$ 8,320</u>	<u>\$ 7,789</u>	<u>\$ 531</u>	6.8
Net Operating Profit	\$ 1,404	\$ 1,110	\$ 294	26.5
Miscellaneous Income	<u>120</u>	<u>100</u>	<u>20</u>	20.00
Net Profit (after salary to owner)	<u>\$ 1,524</u>	<u>\$ 1,210</u>	<u>\$ 314</u>	26.0

WILLIAM'S AUTO STORE
Comparative Statement of Income and Expenses
for the Years Ended Dec. 31, 1942 and 1941

Income and Expenses		1942		1941	
	Percentage	Amount	1942	Amount	1941
Net Profit (after salary to owner)	26.9	\$ 714	\$ 1,234	\$ 1,210	\$ 1,100
Miscellaneous Income	20.00	20	100	100	100
Net Operating Profit	36.9	\$ 201	\$ 1,104	\$ 1,110	\$ 1,100
Total expenses	63.1	\$ 714	\$ 1,234	\$ 1,104	\$ 1,100
Miscellaneous expenses	60.6	60.6	60.6	60.6	60.6
Telephone and telegraph	1.0	1.0	1.0	1.0	1.0
Post office	1.0	1.0	1.0	1.0	1.0
Transportation expenses	1.0	1.0	1.0	1.0	1.0
Delivery expenses	1.0	1.0	1.0	1.0	1.0
Advertising	1.0	1.0	1.0	1.0	1.0
Repairs	1.0	1.0	1.0	1.0	1.0
Insurance	1.0	1.0	1.0	1.0	1.0
Light	1.0	1.0	1.0	1.0	1.0
Heat	1.0	1.0	1.0	1.0	1.0
Salaries to employees	1.0	1.0	1.0	1.0	1.0
Salary to owner	1.0	1.0	1.0	1.0	1.0
Interest	1.0	1.0	1.0	1.0	1.0
Depreciation	1.0	1.0	1.0	1.0	1.0
Commissions	1.0	1.0	1.0	1.0	1.0
Freight	1.0	1.0	1.0	1.0	1.0
Postage	1.0	1.0	1.0	1.0	1.0
Travel	1.0	1.0	1.0	1.0	1.0
Office supplies	1.0	1.0	1.0	1.0	1.0
Repairs to equipment	1.0	1.0	1.0	1.0	1.0
Depreciation on equipment	1.0	1.0	1.0	1.0	1.0
Interest on equipment	1.0	1.0	1.0	1.0	1.0
Depreciation on building	1.0	1.0	1.0	1.0	1.0
Interest on building	1.0	1.0	1.0	1.0	1.0
Depreciation on furniture	1.0	1.0	1.0	1.0	1.0
Interest on furniture	1.0	1.0	1.0	1.0	1.0
Depreciation on fixtures	1.0	1.0	1.0	1.0	1.0
Interest on fixtures	1.0	1.0	1.0	1.0	1.0
Depreciation on inventory	1.0	1.0	1.0	1.0	1.0
Interest on inventory	1.0	1.0	1.0	1.0	1.0
Depreciation on cash	1.0	1.0	1.0	1.0	1.0
Interest on cash	1.0	1.0	1.0	1.0	1.0
Depreciation on land	1.0	1.0	1.0	1.0	1.0
Interest on land	1.0	1.0	1.0	1.0	1.0
Depreciation on building	1.0	1.0	1.0	1.0	1.0
Interest on building	1.0	1.0	1.0	1.0	1.0
Depreciation on furniture	1.0	1.0	1.0	1.0	1.0
Interest on furniture	1.0	1.0	1.0	1.0	1.0
Depreciation on fixtures	1.0	1.0	1.0	1.0	1.0
Interest on fixtures	1.0	1.0	1.0	1.0	1.0
Depreciation on inventory	1.0	1.0	1.0	1.0	1.0
Interest on inventory	1.0	1.0	1.0	1.0	1.0
Depreciation on cash	1.0	1.0	1.0	1.0	1.0
Interest on cash	1.0	1.0	1.0	1.0	1.0
Depreciation on land	1.0	1.0	1.0	1.0	1.0
Interest on land	1.0	1.0	1.0	1.0	1.0

TRADER'S DRUG STORE

	1942	1941	Increases and decreases*	% of change	Percentage of net sales	Other stores
					1942	1941
Sales	\$30,000.00	\$27,027.00	\$2,973.00	11.0	100.0	100.0
Cost of Goods Sold	<u>20,276.00</u>	<u>18,128.00</u>	<u>2,148.00</u>	11.8	<u>67.6</u>	<u>70.0</u>
Gross Profit	\$ 9,724.00	\$ 8,899.00	\$ 825.00	9.3	<u>32.4</u>	<u>32.9</u>
Expenses:						
Salary to owner	\$ 2,400.00	\$ 2,400.00	\$ 137.00	6.9	8.0	8.9
Salaries to employees	2,137.00	2,000.00			7.1	7.4
Rent	1,200.00	1,200.00			4.0	4.4
Heat	90.00	80.00	10.00	12.5	0.3	0.3
Light	423.00	400.00	23.00	5.8	1.4	1.5
Insurance	144.00	144.00			0.5	0.5
Taxes	278.00	240.00	38.00	15.8	0.9	0.9
Interest	90.00	120.00	30.00*	25.0*	0.3	0.4
Repairs	81.00	70.00	11.00	15.7	0.3	0.3
Advertising	120.00	80.00	40.00	50.0	0.4	0.3
Delivery expense	236.00	175.00	61.00	34.9	0.8	0.7
Depreciation expense	420.00	395.00	25.00	6.3	1.4	1.5
Bad debts	49.00	45.00	4.00	8.9	0.2	0.2
Telephone and telegraph	90.00	90.00			0.3	0.3
Miscellaneous expense	<u>562.00</u>	<u>350.00</u>	<u>212.00</u>	60.6	<u>1.9</u>	<u>1.2</u>
Total expenses	\$ 8,320.00	\$ 7,789.00	\$ 531.00	6.8	<u>27.7</u>	<u>28.8</u>
Net Operating Profit	\$ 1,404.00	\$ 1,110.00	\$ 294.00	26.5	<u>4.7</u>	<u>4.1</u>
Miscellaneous Income	120.00	100.00	20.00	20.0	0.4	0.4
Net Profit (after salary to owner)	\$ 1,524.00	\$ 1,210.00	\$ 314.00	26.0	5.1	4.5
						4.1

For the Year Ended Dec. 31, 1915 and 1916
Comparative Statement of Income and Expenses
Operating in the South

TRADER'S DRUG STORE
Statement of Income and Expense
For the Year Ended Dec. 31, 1942

Sales		\$30,000
Cost of Merchandise Sold:		
Purchases	\$20,392	
Less -- Purchase returns and allowances	<u>319</u>	
Net purchases	\$20,073	
Freight and express	<u>112</u>	
Total cost of merchandise purchased	\$20,185	
Less -- Purchase discounts	<u>405</u>	
Net cost of merchandise purchased	\$19,780	
Merchandise inventory Dec. 31, 1941	<u>4,527</u>	
Total cost to be accounted for	\$24,307	
Less -- Merchandise inventory Dec. 31, 1942	<u>4,031</u>	
Cost of merchandise sold		<u>20,276</u>
Gross Profit.		\$ 9,724
Expenses:		
Salary to owner	\$ 2,400	
Salaries to employees	2,137	
Rent.	1,200	
Heat.	90	
Light	423	
Insurance	144	
Taxes	278	
Interest.	90	
Repairs	81	
Advertising	120	
Delivery expense.	236	
Depreciation expense.	420	
Bad debts	49	
Telephone and telegraph	90	
Miscellaneous expense	<u>562</u>	
Total expense		<u>8,320</u>
Net Operating Profit.		\$ 1,404
Miscellaneous Income.		<u>120</u>
Net Profit (after salary to owner).		<u>\$ 1,524</u>

THELMA'S DRUG STORE
Statement of Income and Expenses
For the Year Ended Dec. 31, 1912

\$30,000

Sales	30,000
Cost of Merchandise Sold:	
Purchases	25,000
Less -- Purchase returns and allowances	100
Net purchases	24,900
Freight and express	100
Total cost of merchandise purchased	25,000
Less -- Purchase discounts	100
Net cost of merchandise purchased	24,900
Merchandise inventory Dec. 31, 1911	1,000
Total cost to be accounted for	25,900
Less -- Merchandise inventory Dec. 31, 1912	1,000
Cost of merchandise sold	24,900

\$5,100

\$ 5,100

Expenses:	
Salary to owner	2,000
Salaries to employees	2,000
Rent	1,000
Heat	50
Light	100
Insurance	100
Travel	50
Interest	50
Repairs	50
Advertising	100
Delivery expense	200
Reproduction expense	100
Bad debts	50
Telephone and telegraph	50
Miscellaneous expenses	50

\$6,350

\$ 1,401

100

\$ 1,501

Total expense	6,350
Net Operating Profit	1,401
Miscellaneous Income	100
Net Profit (after salary to owner)	1,501

TRADER'S DRUG STORE
Statement of Financial Condition
as at Dec. 31, 1942

Assets

Current Assets:

Cash on hand.....	\$ 157.72	
Cash in bank.....	<u>287.65</u>	
Total cash.....		\$ 445.37
Due from customers.....		160.20
Merchandise on hand (at cost).....		4,031.00
Deposits.....		<u>50.00</u>
Total current assets.....		\$ 4,686.57

Equipment:

Delivery equipment (cost)	200.00	
Less - allowance for depreciation.....	<u>75.00</u>	
Service value.....		125.00
Store equipment and fixtures (cost).....	3,996.50	
Less - allowance for depreciation.....	<u>1,300.00</u>	
Service value.....		2,696.50
Leasehold improvements.....	750.00	
Less - allowance for depreciation.....	<u>150.00</u>	
Service value.....		<u>600.00</u>
Total service value of equipment and improvements.....		3,421.50
Total Assets.....		<u>\$ 8,108.07</u>

Liabilities and Net Worth

Current Liabilities:

Accounts payable - trade.....	773.50	
Notes payable - trade.....	750.00	
Notes payable - bank.....	500.00	
Social Security tax collections.....	<u>5.09</u>	
Total current liabilities.....		2,028.59

Long-term Liabilities:

Notes payable - equipment.....	800.00	
Notes payable - store purchase.....	<u>1,000.00</u>	
Total long-term liabilities.....		1,800.00
Total Liabilities.....		<u>3,828.59</u>

Net Worth:

N. A. Trader - Capital.....		4,279.48
Total Liabilities and Net Worth.....		<u>8,108.07</u>

WATKINS' TRUCK STORE
Statement of Financial Condition
as at Dec. 31, 1942

Assets

Current Assets:	
Cash on hand	157.75
Cash in bank	221.05
Notes receivable	145.75
Accounts receivable	150.00
Prepaid expenses	4,031.00
Inventory	70.00
Total current assets	\$ 4,885.55
Fixed Assets:	
Land	200.00
Buildings	15.00
Equipment	125.00
Trucks	3,996.50
Tools	1,300.00
Other	2,696.50
Total fixed assets	10,033.00
Total Assets	\$ 14,918.55

Liabilities and Net Worth

Current Liabilities:	
Accounts payable	175.50
Notes payable	150.00
Accounts payable - bank	250.00
Other	7.00
Total current liabilities	\$ 592.50
Long-term Liabilities:	
Mortgage payable	800.00
Other	1,000.00
Total long-term liabilities	1,800.00
Total Liabilities	2,392.50
Net Worth:	
Capital	14,379.16
Reserve	549.39
Total Net Worth	\$ 14,928.55

ACCOUNTING LABORATORY EXERCISES

Dr. William E. Dickerson
Mr. Harry Maerker
The Ohio State University

ACCOUNTING LABORATORY EXERCISES

Dr. William E. Dickerson
Mr. Harry Mascher
The Ohio State University

ACCOUNTING PROCEDURES
WITH EXAMPLES OF THEIR USE IN RECORDING DRUG STORE TRANSACTIONS

- I. The recognition and analysis of changes in financial condition:
 - A. Brief discussion and illustration of the effect of business transactions on financial conditions and the time of recognizing that effect.
 - B. Accounting Procedures - Exercise A
- II. The nature and use of accounts:
 - A. Brief discussion of the nature of the accounts and illustration of the recording of business transactions directly in the accounts.
 - B. Accounting Procedures - Exercise B
- III. The nature and use of journals:
 - A. Brief discussion of the classification of business transactions so that similar transactions may be recorded in special books of original entry.
 - B. Continuation of Accounting Procedures - Exercise B
- IV. The sources of information:
 - A. Brief discussion of the purchase invoice, the cash register recorder, and other original sources of information.
 - B. Continuation of Accounting Procedures - Exercise B
- V. The preparation of periodical summary reports:
 - A. Completion of Accounting Procedures - Exercise B.

- I. The recognition and analysis of changes in financial condition:
 - A. Brief discussion and illustration of the effect of business transactions on financial condition and the time of recognizing that effect.
 - B. Accounting procedures - Exercise A
- II. The nature and use of accounts:
 - A. Brief discussion of the nature of the accounts and illustration of the recording of business transactions directly in the accounts.
 - B. Accounting procedures - Exercise B
- III. The nature and use of journals:
 - A. Brief discussion of the classification of business transactions so that similar transactions may be recorded in special books or original entry.
 - B. Continuation of accounting procedures - Exercise B
- IV. The sources of information:
 - A. Brief discussion of the purchase invoices, the cash register receipts, and other original sources of information.
 - B. Continuation of accounting procedures - Exercise B
- V. The preparation of periodic summary reports:
 - A. Continuation of accounting procedures - Exercise B

ACCOUNTING PROCEDURES FOR DRUG STORES

Problem A

Mr. A. B. Cliff, an experienced pharmacist, leased a storeroom close to a university for the purpose of operating a drug store. The owner of the premises granted Mr. Cliff the use of the storeroom free of charge during the period required for acquiring and installing the necessary fixtures, equipment and stock. Mr. Cliff completed the following transactions before the store opened for business.

- Jan. 12- Mr. Cliff deposited \$5,000 in the bank to the credit of the Northridge Pharmacy.
- 13- After consultation with a contracting carpenter, Mr. Cliff placed an order for \$300 worth of lumber to be used for shelving and partitions.
- 14- The lumber was received and paid for. The invoice including sales tax amounted to \$309.
- 14- Fountain equipment costing \$1,800 was received. A down payment of \$800 was made and Mr. Cliff signed a mortgage note promising to pay \$1,000 in monthly amounts of \$50.
- 16- Showcases and other store fixtures invoiced at \$400 were received and paid for.
- 17- Paid \$40 for hardware to be used on the fixtures.
- 21- Paid carpenter for work on fixtures \$80.
- 24- Drug merchandise invoiced at \$1,600 was received from the Hillside Drug Company. A check for the full amount was delivered to the Hillside Drug Company.
- 25- Drug merchandise invoiced at \$500 was received from the Valley Supply Company. Cash of \$300 was paid. It was agreed that the balance was to be paid April 10.
- 26- Office furniture and equipment costing \$90 was purchased and paid for.
- 27- Tobacco merchandise invoiced at \$375 was purchased from the Meadows Corporation. A check for \$200 was given. Thirty days' credit was granted on the \$175 balance.
- 28- A check for \$75 was given to the carpenter for work done on fixtures.
- 28- An electric sign was installed by the Neon Company. The price was \$275. Payment was to be made by February 10.
- 30- Confections invoiced at \$200 were received from the Candy Company. A 30 day credit term was agreed upon.
- 30- Fountain merchandise costing \$250 was purchased for cash.
- 30- A stock of magazines was received from the News Company. The salesman arranged to return in a week and collect for those that were sold.

Mr. A. B. Cliff, an experienced pharmacist, leased a storefront close to a university for the purpose of operating a drug store. The owner of the premises rented Mr. Cliff the use of the storefront free of charge during the period required for securing and installing the necessary fixtures, equipment and stock. Mr. Cliff completed the following transactions before the store opened for business.

1. Mr. Cliff deposited \$5,000 in the bank to the credit of the Hardware Company.
2. After consultation with a contracting carpenter, Mr. Cliff placed an order for 100 worth of lumber to be used for shelving and partitions.
3. The lumber was received and paid for. The invoice including sales tax amounted to \$100.
4. Furniture and equipment costing \$1,500 was received. A down payment of \$500 was made and Mr. Cliff signed a mortgage note promising to pay \$1,000 in monthly payments of \$50.
5. Showcases and other store fixtures valued at \$100 were received and paid for.
6. Paid \$20 for hardware to be used on the fixtures.
7. Paid carpenter for work on fixtures \$80.
8. Drug merchandise valued at \$1,500 was received from the Wholesale Drug Company. A check for the full amount was delivered to the Wholesale Drug Company.
9. Drug merchandise valued at \$500 was received from the Valley Supply Company. Cash of \$300 was paid. It was agreed that the balance was to be paid April 10.
10. Office furniture and equipment costing \$80 was purchased and paid for.
11. Two dozen merchandise valued at \$175 was purchased from the Wholesome Corporation. A check for \$120 was given. Thirty days' credit was granted on the \$175 balance.
12. A check for \$15 was given to the carpenter for work done on fixtures.
13. An electric sign was installed by the Neon Company. The price was \$215. Payment was to be made by February 15.
14. Customers valued at \$200 were received from the Candy Company. A 30 day credit term was agreed upon.
15. Furniture merchandise costing \$250 was purchased for cash.
16. A check of \$1,000 was received from the Neon Company. The salesman arranged to return in a week and collect for those that were sold.

ACCOUNTING PROCEDURES FOR DRUG STORES
PROBLEM B
Sheet 1

After several years of successful operations the trial balance of the Northridge Pharmacy as at May 31, 1950 was as follows:

Cash	\$ 125.60	
Cash in bank	3,543.87	
Accounts Receivable	87.40	
Merchandise on Hand	10,059.27	
Sales Tax Stamps	300.00	
Deposits	50.00	
Store Equipment and fixtures	5,320.00	
Allowance for depreciation		1,750.00
Hillside Drug Co.		1,625.50
Valley Supply Co.		1,206.83
Ravine & Sone		547.94
The Meadows Corporation		633.12
Income and Social Security Taxes Withheld		72.80
Notes Payable		1,800.00
A. B. Cliff, Capital		9,981.57
Sales		32,201.52
Sales Returns	72.96	
Purchases	22,872.40	
Purchase Returns and Allowances		105.76
Freight and Express	209.33	
Purchase Discounts		120.02
Salary to owner	2,000.00	
Salaries to employees	3,580.00	
Rent	750.00	
Light	137.88	
Insurance	60.00	
Taxes	172.50	
Interest	20.00	
Repairs	39.43	
Advertising	86.50	
Depreciation Expense	360.00	
Telephone and Telegraph	66.12	
Supplies	98.72	
Miscellaneous Expense	57.57	
Cash Over and Short	1.07	
Miscellaneous Income		25.56
	<u>50,070.62</u>	<u>50,070.62</u>

ACCOUNTING PROCEDURES FOR DRUG STORES
 PROBLEM B
 Sheet 1

After several years of successful operations the trial balance of the Washington Pharmacy as at May 31, 1950 was as follows:

1,750.00	132.60	Dr. Cash
1,252.50	3,213.87	Dr. Cash in bank
1,508.00	87.10	Accounts Receivable
247.96	10,059.51	Merchandise on hand
633.12	300.00	Salaries and wages
12.80	80.00	Depreciation
1,800.00	2,350.00	Store equipment and fixtures
2,981.51		Allowance for depreciation
32,201.22		Willsie Bros. Co.
		Willsie Supply Co.
		Willsie & Sons
		The Willsie Corporation
		Income and Social Security Taxes Withheld
		Notes Payable
		A. B. Smith, Capital
		Allen
		Salaries Payable
		Insurance
		Utilities, Rent and Allowances
		Freight and Express
		Freight Advances
		Salary in arrears
		Salaries to employees
		Bank
		Notes
		Insurance
		Taxes
		Interest
		Dividends
		Advertising
		Depreciation Expense
		Telephone and Telegraph
		Freight
		Classifications Expense
		Cost of Goods Sold
		Washington Income
20,040.62	20,040.62	
25.26		

ACCOUNTING PROCEDURES FOR DRUG STORES

PROBLEM B

Sheet 2

A description of the business transactions of the Northridge Pharmacy during the first 5 days of June
The Cash Register Records show:

	June 1		June 2		June 3		
	Register No. 1	Register No. 2	Register No. 1	Register No. 2	Register No. 1	Register No. 2	Register No. 1
Opening Cash Count	73.58	52.02	38.52	44.01	111.68	30.10	85.21
Cash received during the day:							
From Customers for merchandise:							
Drugs and Sundries	113.05		160.31		162.99		172.50
Tobacco and Candy	15.66	3.90	18.05	9.02	22.60	10.07	17.10
Soda Fountain		32.74		29.70		35.41	
From customers on account (See Note A)	28.32				35.61		
From Vending Machines						5.50	
Total Cash received	157.03	36.64	178.36	38.72	221.20	50.98	189.60
Total cash to be accounted for	230.61	88.66	216.88	82.73	332.88	81.08	274.91
Withdrawn for deposit in bank	175.00	25.00	80.00	25.00			
Other Cash withdrawals							
Merchandise purchased:							
Tobacco and Candy			17.82			19.36	
Soda Fountain merchandise		19.69		15.11		11.26	
Supplies purchased	8.90			10.38			
Freight and Express bills	4.59		2.10			4.01	
Repairs expense			3.80				
Sales returns	3.41			2.21			
Miscellaneous expense			1.50				.78
Owner's Salary					100.00		
Employees' salaries (See Note B)					147.40		
Total Withdrawn	191.90	44.69	105.22	52.70	247.40	34.63	.78
Balance of cash to be accounted for	38.71	43.97	111.66	30.03	85.48	46.45	274.13
Closing cash count	38.52	44.01	111.68	30.10	85.23	46.45	274.34
Cash over or (short)	(.19)	.04	.02	.07	(.25)		.21

Note A - Collections were from: Dr. James Price \$28.32
Dr. Harold Rowe 35.61
Dr. William Davis 23.47

Note B - The employees' earnings were \$160.00 from which \$2.40 (1 1/2%) was withheld for social security tax and \$1.00 tax

STORES

the first 5 days of June, 1950 is as follows:

June 3		June 4		June 5	
Register 1	Register No. 2	Register No. 1	Register No. 2	Register No. 1	Register No. 2
1.68	30.10	85.23	46.45	274.34	86.42
2.99		172.50		107.46	
2.60	10.07	17.18	9.22	8.75	6.80
	35.41		40.98		25.76
5.61				23.47	
	5.50				
1.20	50.98	189.68	50.20	139.68	32.56
2.88	81.08	274.91	96.55	414.02	118.98
				350.00	25.00
	19.36				
	11.26		10.10		21.13
	4.01				1.82
				6.70	
				1.03	
		.78			
.00					
.40					
.40	34.63	.78	10.10	357.73	47.95
.48	45.45	274.13	86.55	56.29	71.03
.23	46.45	274.34	86.42	56.29	71.22
.25		.21	(.13)		.19

social security tax and \$10.20 was withheld for federal income

ACCOUNTING PROCEDURES

PROBLEM B

Sheet 3

The Accounts Receivable at May 31, 1950, were:

Dr. James Price	\$ 2832
Dr. Harold Rowe	3561
Dr. William Davis	2347
Total	<u>\$ 8740</u>

Sales on account (all drugs and sundried) for the first five days of June were:

June 1	Dr. James Price	\$ 1519
June 2	Dr. Floyd Lucas	2650
June 2	Dr. William Davis	1980
June 3	Dr. Harold Rowe	3123
June 5	Dr. William Davis	1216
Total		<u>\$10488</u>

The Sales Returns during June were drugs and sundries.
Checks written during the period were:

<u>Date</u>	<u>Check No.</u>	<u>Detail</u>	<u>Amount</u>
June 1	587	Northside Realty Co. for June Rent	\$ 150.00
	588	Ohio Bell Telephone for telephone bill	8.72
	589	Hillside Drug Co., \$1,625.50, less 2% discount	1,592.99
June 2	590	Ohio National Bank, payment on Notes Payable and 9% interest	109.00
	591	The Meadows Corporation, on account	375.00
	592	Columbus & Southern Ohio Electric Co., light bill	22.27
June 3	593	Clintonville Booster, advertising	10.00
	594	Store Fixture Co., new equipment	120.00
	595	City Treasurer, property tax	172.50
June 5	596	Surgical Supply Co., \$150 less 2% discount, for drugs and sundries	147.00
	597	Valley Supply Co., \$1,206.83, less 2% discount	1,182.69
	598	Ravine & Sons, on account	400.00

Purchases on account during the period were:

June 2	Hillside Drug Co. for drugs and sundries	102.21
June 3	The Valley Supply Co. for tobacco and candy	36.35
June 3	The Meadows Corporation for drugs and sundries	97.08
June 5	Ravine and Sons for drugs and sundries	182.30
June 5	The Valley Supply Co. for drugs and sundries	84.32

Merchandise billed at \$17.67 on the June 2 invoice was returned to the Hillside Drug Co. on June 5.

Depreciation of store equipment and fixtures for the first five days of June is estimated to be \$10.

Other pertinent detail relative to the trial balance as at May 31, 1950 is as follows:

100

	Merchandise on Hand	Purchases	Purchase Ret. & Allowance	Sales	Sales Return
Drugs and Sundries	\$ 9,234.57	\$18,191.92	\$ 105.76	23,987.39	72.96
Tobacco and Candy	701.56	2,133.29		3,642.67	
Soda Fountain	123.14	2,547.19		4,571.46	
	<u>10,059.27</u>	<u>22,872.40</u>	<u>105.76</u>	<u>32,201.52</u>	<u>72.96</u>

All freight and express is on drugs and sundries.

The merchandise on hand as at the close of business on June 5, 1950 is as follows:

Drugs and Sundries	\$ 10,060.72
Tobacco and Candy	651.17
Soda Fountain	<u>138.75</u>
Total	<u>\$ 10,850.64</u>

on hand	Merchandise	Freight	Insurance	Salaries	Profit
10,000.00	2,133.25	100.00	2,133.25	2,133.25	10,000.00
10,000.00	2,133.25	100.00	2,133.25	2,133.25	10,000.00
10,000.00	2,133.25	100.00	2,133.25	2,133.25	10,000.00

The merchandise on hand as at the close of business on June 2, 1920 is as follows:

Merchandise	10,000.00
Freight	100.00
Insurance	2,133.25
Salaries	2,133.25
Profit	10,000.00
Total	20,366.50

Cash

125.60

Cash in Bank

3,543.87

Accounts Receivable

87.40

Merchandise on Hand

10,059.27

Sales Tax Stamps

300.00

Deposits

50.00

Store Equipment & Fixtures

5,320.00

Allowance for Depreciation

1,750.00

Hillside Drug Co.

1,625.50

Valley Supply Co.

1,206.83

Ravine & Sons

547.94

The Meadows, Corporation

633.12

Bank

125.00

Cash in Bank

125.00

Accounts Receivable

85.00

Accounts Payable

1,000.00

Notes Payable

100.00

Prepaid Insurance

20.00

Notes Receivable

1,000.00

Allowance for Doubtful Accounts

1,000.00

Unearned Revenue

1,000.00

Retained Earnings

1,000.00

Common Stock

250.00

Preferred Stock

633.00

Light

137.38

Insurance

60.00

Taxes

172.50

Interest

20.00

Repairs

39.43

Advertising

86.50

Depreciation Expense

360.00

Telephone and Telegraph

66.12

Supplies

98.72

Miscellaneous Expense

57.57

Cash Over & Short

1.07

Miscellaneous Income

25.56

Income and Social
Security Taxes Withheld
72.80

Notes Payable
1,800.00

A. B. Cliff, Capital
9,981.57

Sales
32,201.52

Sales Returns
72.96

Purchases
22,872.40

Purchase Returns & Allowances
105.76

Freight and Express
209.33

Purchase Discounts
120.02

Salary to Owner
2,000.00

Salaries to Employees
3,580.00

Rent
750.00

Income and Social Security Tax

12.50

Income Tax

1,800.00

A. R. GALT Co. Inc.

9,981.27

Income

12,501.25

Income Tax

12.98

Income

12,501.25

Income Tax and Social Security Tax

108.75

Income Tax and Social Security Tax

200.12

Income Tax and Social Security Tax

130.05

Income Tax and Social Security Tax

1,500.00

Income Tax and Social Security Tax

1,500.00

Income

150.00





NEPALI AY PRAKASHAN

[illegible]

Date

Name of Supplier

of Invoice

Merchandise

Receipt

Amount

INVOICE NO.

DATE OF INVOICE

CHECK REGISTER

[illegible]

Date

No.
of
Check

Name of Person

Amount
of Check

Amount
in words

Bill
Total of

Amount to be deposited

CHECK REGISTER

Date	Account Titles and Explanations		Debit	Credit

Credit

Account Title and Explanation

3100

Creed:

MONTHLY SUMMARY OF SALES AND CASH TRANSACTIONS - SECTION II

Analysis of Recorded Deposits and Paid Outs

[illegible]

ACTIONS - SECTION II

Paid Outs

[illegible]



PROCEEDINGS

of

SEMINAR IN PHARMACY ADMINISTRATION

held at

THE OHIO STATE UNIVERSITY

June 19th to 30th, 1950

VOLUME II

Auspices

of

THE AMERICAN ASSOCIATION OF COLLEGES OF PHARMACY

PROCEEDINGS

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SEMINAR IN PLANT AND ANIMAL

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THE OHIO STATE UNIVERSITY

June 19th to 20th, 1930

VOLUME II

1930

of

THE AMERICAN ASSOCIATION OF COLLEGE OF PHYSICIAN

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16. List of Participants at Seminar

PRINCIPLES OF ECONOMICS IN PHARMACY ADMINISTRATION

Stephen Wilson, Ph.D.
University of Pittsburgh
School of Pharmacy

Abstract

The value and importance of a course in Principles of Economics in the degree of Pharmacy Administration was discussed at the meeting of the American Association of Colleges of Pharmacy held at the University of Pittsburgh on June 15-16, 1954. The discussion revealed definite progress in the development of Pharmacy Administration as an applied area in the pharmacy curriculum. Every school represented at the meeting had increased and improved its instruction in this field. For the most part these increases and improvements had been sufficiently narrow that they were not reflected in the collection of the various schools as presented at the American Pharmaceutical Association Convention held at Atlantic City, April 29-May 3, 1954. As part of the discussion, Dr. I. Cooper, Chairman of the Committee on Pharmacy Administration, reported that a study of the curriculum of the American Association of Colleges of Pharmacy, the American Association of Colleges of Pharmaceutical Education, and the American Association of Colleges of Pharmacy, every school represented was giving very serious consideration to the study of Economics in the curriculum of Pharmacy Administration.

MANAGEMENT OF RETAIL PHARMACIES

PRINCIPLES OF ECONOMICS IN PHARMACY ADMINISTRATION

Stephen D. Wilson, Ph.D.
University of Pittsburgh

The Committee on Pharmacy Administration of the American Association of Colleges of Pharmacy reported that the curriculum of Pharmacy Administration as an applied program in this area of instruction, which was the minimum requirement which could be called pharmacy, it was felt by the committee that the curriculum should be sufficiently broad to include in view of the many varied phases of pharmacy. However, it was expected that many schools would eventually exceed this minimum. The discussion at the meeting indicated that a number of schools already have gone beyond the minimum, some adding 15 and 20 semester hours of instruction.

Curriculum of Economics

In the subject of Principles of Economics the schools also have progressed beyond the recommended minimum in degree with more rapidly than was anticipated at the time the program was first set up. In many instances the curriculum has been extended to include the microeconomic course known to the Board of Economics of the School of Business Administration. In some other instances the School of Economics of the University of Pittsburgh, which is the largest of the schools, has been very successful, and have provided a suggested course to meet the needs of pharmacy students.

The discussion of the subject definitely showed the microeconomic course is being given of course. Some schools, however, indicated that the microeconomic course is being given as a foundation for the applied courses and some schools have gone to the point of giving the microeconomic course as a separate course in organic chemistry as a basis for later courses in pharmaceutical chemistry. Concerning the writing that a properly designed microeconomic course in Principles of Economics could constitute a separate, self-contained, foundation for the applied courses in pharmacy administration. There was much discussion, however, that if a school could not offer a microeconomic course in Principles of Economics, it is indicated that the first course in microeconomic course be considered as a foundation for the applied courses. A three-unit course, as is considered at all schools in this subject, would be a very valuable asset.

PRINCIPLES OF ECONOMICS IN PHARMACY ADMINISTRATION
MANAGEMENT OF RETAIL PHARMACIES

Stephen D. Wilson, Ph.D.
University of Pittsburgh

PRINCIPLES OF ECONOMICS IN PHARMACY ADMINISTRATION

Stephen Wilson, Ph. D.
University of Pittsburgh
School of Pharmacy

Pharmacy Administration

The place and importance of a course in Principles of Economics in the sequence of Pharmacy Administration was one of the topics discussed at the Seminar in Pharmacy Administration held on the Ohio State University campus on June 19-30, 1950. The discussion revealed definite progress in the development of Pharmacy Administration as an integral area in the pharmacy curriculum. Every school represented at the Seminar had increased and improved the instruction in this field. For the most part these increases and improvements had been sufficiently recent that they were not reflected in the bulletins of the various schools as recently as the American Pharmaceutical Association Convention held at Atlantic City, April 30-May 5, 1950. At that convention, Dean Chauncey I. Cooper, Chairman of the Teachers' Conference on Pharmacy Administration, reported that a study of the bulletins showed practically no attempt on the part of the schools to respond to the curriculum recommendations of the Pharmaceutical Survey. The Seminar discussion, however, showed that, without exception, every school represented was giving very serious consideration to the Survey recommendations relating to Pharmacy Administration.

The Consultative Committee on Pharmacy Administration to the Pharmaceutical Survey recommended five courses totaling 15 semester credits as an adequate program in this area of instruction. While this was the minimum program which could be called adequate, it was felt by the committee that its function was to indicate minimum recommendations in view of the heavy over-all pharmacy curriculum. However, it was expected that many schools would eventually exceed that minimum. The discussion at the Seminar indicated that a number of schools already have gone beyond the minimum, some giving 18 and 20 semester hours of instruction.

Principles of Economics

In the subject of Principles of Economics the schools also have progressed beyond the recommended three-credit course much more rapidly than was anticipated at the time the recommendation was made. In many instances room has been found in the curriculum for the standard six-credit course taught by the School of Commerce or the School of Business Administration. In many other instances the Schools of Commerce or of Business Administration at the various Universities have been very cooperative, and have provided a three-credit course to meet the needs of pharmacy students.

The discussion at the Seminar definitely favored the six-credit course in Principles of Economics. Some opinions expressed, indicated the three-credit course to be inadequate as a foundation for the applied courses and comparisons were made to the teaching of chemistry and the inadequacy of a three-credit course in organic chemistry as a basis for later courses in pharmaceutical chemistry. Others were of the opinion that a properly integrated three-credit course in Principles of Economics could constitute an adequate, but minimum, foundation for the applied courses in pharmacy administration. There was unanimous agreement, however, that if a school could not offer a six-credit course in Principles of Economics, in no instance could the first semester of a six-credit course be considered adequate foundation for the applied courses. A three-credit course, to be considered at all adequate in this regard, should contain material usually

Robert Wilson, Ph.D.
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School of Pharmacy

Pharmacy Administration

The place and importance of a course in Principles of Pharmacy Administration in the curriculum of the School of Pharmacy Administration was one of the topics discussed at the Seminar in Pharmacy Administration held on the Ohio State University campus on June 19-20, 1950. The discussion revealed definite progress in the development of Pharmacy Administration as an integral area in the pharmacy curriculum. Every school represented at the Seminar had increased and improved the instruction in this field. For the most part there is a consensus and agreement that there has been sufficient recent progress that they were not twofold in the field of the various schools as recently as the American Pharmaceutical Association Convention held at Atlantic City, April 30-May 3, 1950. At that convention, Dean Humphrey I. Cooper, Chairman of the Committee on Pharmacy Administration, reported that a study of the syllabus showed practically no change on the part of the schools in response to the curriculum recommendations of the International Society. The Seminar discussion, however, showed that, without exception, every school represented was giving very serious consideration to the survey recommendations relating to Pharmacy Administration.

The Committee on Pharmacy Administration to the Pharmacy Administration Survey recommended five courses totaling 15 semester credits as an adequate program in this area of instruction. Little time was given to the program which could be called adequate, it was felt by the committee that the function was to indicate minimum recommendations in view of the fact that every school would eventually exceed that minimum. The discussion at the Seminar indicated that a number of schools already have gone beyond the minimum, some giving 18 and 20 semester hours of instruction.

Principles of Pharmacy Administration

In the subject of Principles of Pharmacy Administration the schools also have progressed beyond the recommended three-credit course which was rapidly being emphasized at the time the recommendation was made. In many instances more has been found in the curriculum for the standard three-credit course taught by the School of Commerce or the School of Business Administration. In many other instances the schools of Commerce or of Business Administration at the various Universities have been very cooperative, and have provided a three-credit course to meet the needs of pharmacy students.

The discussion at the Seminar definitely favored the three-credit course in Principles of Pharmacy Administration. Some opinions expressed indicated the three-credit course to be inadequate as a foundation for the applied courses and suggestions were made for the teaching of the theory and the foundation of a three-credit course in organic chemistry as a basis for later courses in pharmaceutical chemistry. Other ways of the opinion that a separate integrated three-credit course in Principles of Pharmacy Administration could constitute an adequate foundation for the applied courses in pharmacy administration. There was unanimous agreement, however, that if a school could not offer a three-credit course in Principles of Pharmacy Administration, it should not offer a three-credit course in applied pharmacy. A three-credit course, to be considered as a foundation for the applied courses, should contain material usually considered at all adequate in this regard.

found in both semesters of the six-credit course. The problem here is one of emphasis. It was felt that a course giving adequate emphasis to carefully selected material could be given in one semester if other material were sufficiently de-emphasized or eliminated. It is this type of a course which the Schools of Commerce and of Business Administration have arranged for Pharmacy students in many Universities. It should be borne in mind, however, that such a course, while perhaps constituting a minimum adequate foundation for the applied courses in pharmacy administration, may be lacking in general education and cultural aspects as compared with the six-credit course.

Another point on which there was unanimity of opinion was that the six-credit course in Principles of Economics should be considered the minimum course in principles on which to base any graduate programs in pharmacy administration. That is to say, the three-credit abridged course in Principles of Economics which may serve as a minimum adequate foundation for undergraduate applied courses in pharmacy administration would not be considered adequate as a foundation for graduate work.

Some discussion of the subject matter of a course in Principles of Economics was undertaken because it was felt that it would be helpful in such instances where the course in principles is restricted to three credits, and where the School of Commerce or of Business Administration has not been able to provide a three-credit course adapted to the needs of pharmacy students. In these instances the person who teaches the applied courses in pharmacy administration will probably be charged with the responsibility of teaching the course in Principles of Economics. The material given below is largely for the convenience of a teacher in such a situation.

The discussion at the Seminar definitely indicated that the course in Principles of Economics should be restricted to a development of principles, and that the application of those principles to the field of pharmacy should be left to the applied courses later. It was felt that too many courses in economics tend to become courses in business, or in management, and that this should be avoided as much as possible. This will tend to emphasize the basic characteristics of the principles developed, and preserve to as great an extent as possible the general education aspects of the abridged principles course.

Background Considerations

Preliminary to an outline of a course in Principles of Economics it should be mentioned that the objectives of such a course should include some recognition of the fact that the general education and cultural aspects of the course are perhaps almost as important as the more immediate objective of grounding the student in basic principles. The course has definite cultural aspects. Also, the judicious use of references to principles during the later and more applied courses adds weight to those courses as, for example, when various common practices can be shown, in a few words, to be basically sound and to be practical illustrations of principles.

It was also brought out in the discussion that there are difficulties which students face in the study of economics which seem to be inherent in the principles course. The teacher should be familiar with these difficulties in order to be better able to help the students when they encounter such difficulties. Illustrations of such barriers to sound economic thinking, if they can be called that, were brought out at the Seminar. There is a distinct difference, for example, between "individual welfare" and "general welfare". Most people have been trained to think from the individual

There is both a theoretical and a practical aspect to the study of economics. The theoretical aspect is the study of the principles of economics, which are the basic concepts and theories that underlie the subject. The practical aspect is the application of these principles to the study of the actual economic behavior of individuals and groups. The theoretical aspect is the study of the principles of economics, which are the basic concepts and theories that underlie the subject. The practical aspect is the application of these principles to the study of the actual economic behavior of individuals and groups.

Another point on which there was unanimity of opinion was that the three-credit course in Principles of Economics should be considered the minimum course in Principles of Economics on which to base any graduate program in Economics. That is to say, the three-credit applied course in Principles of Economics which may serve as a minimum adequate foundation for undergraduate applied courses in pharmacy administration would not be considered adequate as a foundation for graduate work.

Some discussion of the subject matter of a course in Principles of Economics was mentioned because it was felt that it would be helpful in such instances where the course in Principles is restricted to three credits and where the School of Commerce or of Business Administration has not been able to provide a three-credit course adapted to the needs of pharmacy students. In these instances the person who teaches the applied course in pharmacy administration will probably be charged with the responsibility of teaching the course in Principles of Economics. The material given below is largely for the convenience of a teacher in such a situation.

The discussion at the General Assembly indicated that the course in Principles of Economics should be restricted to a development of principles and that the application of these principles to the field of pharmacy should be left to the applied courses later. It was felt that too many courses in economics tend to become courses in business, or in management, and that this should be avoided as much as possible. This will tend to emphasize the basic characteristics of the principles developed, and preserve to as great an extent as possible the general education aspects of the applied curriculum course.

Background Considerations

Preliminary to an outline of a course in Principles of Economics it should be mentioned that the objective of such a course should include some recognition of the fact that the general education and cultural aspects of the course are perhaps almost as important as the more immediate objective of providing the student in basic principles. The course has definite cultural aspects. Also, the historical use of references to principles during the last and more applied courses will weight to those courses as, for example, when various common practices can be shown, in a few words, to be practically sound and to be practical illustrations of principles.

It was also brought out in the discussion that there are difficulties which students have in the study of economics which seem to be inherent in the Principles course. The teacher should be familiar with these difficulties in order to be better able to help the students when they encounter such difficulties. Illustrations of such barriers to sound economic thinking, if they can be called that, were brought out at the Seminar. There is a distinct difference, for example, between "individual welfare" and "general welfare". Most people have been trained to think from the individual

point of view, and have trouble orienting their thinking to the "general welfare" approach. A distinction must also be made here between "general welfare" and communism.

The average person also tends to think in terms of money, and in some phases the student of economics must think in terms of basic considerations and disregard intervening media. For example, when the announcement was made on the entrance of the United States into World War II that "half of our income would be devoted to the war effort", many people jumped to the conclusion that the income tax was to be increased to 50%, whereas what was meant was that half of our income in terms of goods produced would be war materials, while consumer goods would be restricted to constitute the other 50%.

Economic problems also occasionally have contradictory solutions in "short term" considerations as contrasted with "long term" solutions. As pointed out, on a short term basis there is a scarcity of qualified teachers in the field of pharmacy administration -- the supply is rigid and is the dominating factor, and the demand is great. Over a long term consideration, however, the demand is the dominating factor, whereas the supply becomes more elastic and can be adjusted to suit the demand.

The large number of variables constitutes another difficulty in economics. In the natural sciences, which constitute a good portion of the pharmaceutical curriculum, it is frequently possible to reduce a problem to a single variable. This is seldom true in economics. This also adds greatly to the difficulty of duplicating exact conditions to verify an experiment.

The great diversity of economic study also creates some difficulties to economic thinking. Economics touches upon history, ethics, business administration, law, mathematics, and a host of other diverse subjects.

Various other factors increase the difficulties involved by adding to the confusion. The fact that economics uses words as technical terms with exact meanings, which terms are used by the public in general conversation with much broader meanings, may be mentioned. The relative position of the current economy in the business cycle, together with conditions frequently designated as war, post war, or peace-time economy confuse many people. Others let political considerations interfere with their concept of economics. The list may be extended considerably.

The value (to the teacher of a course in Principles of Economics) of a background of historical information concerning economics and its development as a separate discipline was also discussed at the Seminar and deserves to be mentioned preliminary to the course outline. Judicious references by the teacher at opportune moments, where the material lends itself for illustrative purposes, to human interest items from such widely divergent topics as the tardy development of economics as a science; the early writings on economic subjects by Confucius, or the early Greeks or Romans; the beginnings of economics as we know it today; the various schools of economic thought; or the writings of such men as Smith, Ricardo, Mill, Marshall, Keynes, etc., lends weight and interest to the course. For example, a passing reference to the fact that Plato was a communist, while Aristotle was not, may accomplish more than a long lecture in indicating to the student that present day economic institutions did not just happen over night, but developed through a hard-fought evolutionary process.

point of view, and have thereby extended their thinking to the "new" welfare system. A distinction must also be made between "general welfare" and "consumption".

The average person also tends to think in terms of money, and in some cases the student of economics must think in terms of social considerations and different institutional media. For example, when the government has made on the subject of the United States the "gold" standard, the income would be devoted to the war effort, many people turned to the conclusion that the income tax was to be increased to 50%, whereas what was suggested was that half of our income in terms of goods produced would be redistributed, while government goods would be restricted to constitute the other 50%.

Economic problems also occasionally have contradictory solutions in "short term" considerations as contrasted with "long term" solutions. As pointed out, on a short term basis there is a scarcity of qualified teachers in the field of pharmacy administration — the supply is tight and is the dominating factor, and the demand is great. Over a long term consideration, however, the demand is the dominating factor, whereas the supply becomes more elastic and can be adjusted to suit the demand.

The large number of variables constitutes another difficulty in economic analysis. In the natural sciences, which constitute a good portion of the pharmaceutical curriculum, it is frequently possible to reduce a problem to a single variable. This is seldom true in economics. This also adds greatly to the difficulty of developing exact conditions to verify an experiment.

The great diversity of economic study also creates some difficulties to economic thinking. Economics touches upon history, ethics, business administration, law, mathematics, and a host of other diverse subjects.

Various other factors intensify the difficulties involved by adding to the confusion. The fact that economic news words are technical terms with exact meanings, which terms are used by the public in general conversation with much broader meanings, may be mentioned. The relative position of the current economy in the business cycle, together with conditions frequently designated as war, post-war, or post-war economy, creates many problems. Others feel political considerations interfere with their concept of economics. The list may be extended considerably.

The value (to the teacher of a course in Principles of Economics) of a background of historical information concerning economics and its development as a separate discipline was also discussed at the Seminar and discussed to be mentioned previously to the course outline. Individual references by the teacher to economic sources, where the material lends itself for illustrative purposes, in human interest items from widely divergent periods as the early development of economics as a science; the early writings on economic subjects by Confucius, or the early Greeks or Romans; the beginnings of economics as we know it today; the various schools of economic thought or the writings of such men as Smith, Ricardo, Mill, Marshall, Keynes, etc., lends weight and interest to the course. For example, a passing reference to the fact that Plato was a communist, while Aristotle was not, may accomplish more than a long lecture in indicating to the student that present day economic institutions did not just happen overnight, but developed through a long, long evolutionary process.

Topic Outlines

The outlines which follow represent different ideas of sequence arrangement expressed in the discussions at the Seminar. While the sequential arrangements are at variance, there is considerable agreement as to the importance of the various topics in the subject matter. These outlines are included with the thought that they may serve as illustrations, and that they may be of interest as such, to teachers of pharmacy administration subjects who also teach their own course in Principles of Economics. The outlines are not detailed, only major headings being given, to illustrate emphasis.

Outline A

Introduction

1. The role of the pharmacist in society

2. The role of the pharmacist in the community

3. The role of the pharmacist in the hospital

4. The role of the pharmacist in the government

5. The role of the pharmacist in the industry

6. The role of the pharmacist in the education

7. The role of the pharmacist in the research

8. The role of the pharmacist in the development

9. The role of the pharmacist in the improvement

10. The role of the pharmacist in the progress

11. The role of the pharmacist in the advancement

12. The role of the pharmacist in the achievement

13. The role of the pharmacist in the accomplishment

14. The role of the pharmacist in the attainment

15. The role of the pharmacist in the realization

16. The role of the pharmacist in the fulfillment

17. The role of the pharmacist in the completion

18. The role of the pharmacist in the consummation

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OUTLINE 1

1. Introduction

Characteristics of the present economic system, or the "Why" in the economic system.

2. Elementary Concepts

Largely definitional in nature.

3. Production

Definition

Factors:

Land, Labor, Unions, Capital, Entrepreneur, Government

Laws

Types

Business Organization

4. Exchange

Definition

Demand

Supply

Price

Laws

Money

Credit

Banks

5. Distribution

Definition

Rent (for land)

Wages (for labor)

Contributions (to unions)

Interest (for use of capital)

Taxes (to the government)

Profits (left for the business man)

6. Consumption

Definition

Standards of Living

Levels of Living

Welfare

Consumer Organizations

OUTLINE I

1. Introduction

Characteristics of the present economic system, of the "New"
in the economic system.

2. Elementary Concepts

Generally defined in nature.

3. Production

Definition

Factors:

Land, Labor, Capital, Entrepreneur, Government

Law

Types

Business Organization

4. Exchange

Definition

Demand

Supply

Price

Law

Money

Credit

Barter

5. Distribution

Definition

Rent (for land)

Wages (for labor)

Profit (for entrepreneur)

Interest (for use of capital)

Tax (to the government)

Price (left for the business man)

6. Consumption

Definition

Standard of living

Level of living

Welfare

Consumer Organization

OUTLINE 2

1. Introduction

2. Elementary Concepts

3. Production

Definition

Factors:

Land, Labor, Capital, Entrepreneur

Laws

Business Organization

4. Consumption

Definition

Laws

Classification of goods

5. Exchange

Definition

Barter

Market

Demand, Supply, and Price

Money and Credit

Banks and Banking

6. Distribution

Definition

Rent

Wages

Interest

Profits

1. Introduction

2. Elementary Concepts

3. Production

Definition

Factors:

Land, Labor, Capital, Entrepreneur

Law

Business Organization

4. Consumption

Definition

Law

Classification of needs

5. Exchange

Definition

Barter

Money

Demand, Supply, and Price

Money and Credit

Banks and Banking

6. Distribution

Definition

Law

Profit

Interest

Profit

OUTLINE 3

I. INTRODUCTION

- a. Definition of Economics and economic activity
- b. Foundations of Economic activity, universally basic, are introduced. Such factors as the nature of man, his environment and organization of his society are discussed.
- c. Nomenclature
General terms and concepts as goods, utility, money, value, production, etc., are introduced. Anyone who would think through economic procedure must comprehend these basic concepts and their application. The difficulty here is the fact that the economist has no scientific vocabulary of his own that he monopolizes. He uses familiar terms in an unfamiliar, specialized manner.

A few statistics as to production, number and types of businesses, consumption, number and types of consumers, etc., are introduced at this point to illustrate the scope of economic activity.

II. PRICE DETERMINATION

- a. The hypothetical model of perfect competition is first constructed. Full discussions of demand and supply are entered into and illustrated as well as the concepts of diminishing returns and diminishing utility.
- b. From the model of perfect competition the abstraction proceeds in the opposite direction. Perfect monopoly, the antithesis of perfect competition is constructed. Its laws of operation and price determination are discussed.
- c. From the two perfectly hypothetical models above, the qualifying assumptions are removed one at a time and their resulting effect noted.
- d. At the conclusion, determination of price in our society has been fully illustrated from that of competition at one extremity to that of monopoly at the other. This, of course, covers the vast heterogeneous area between these extremities.

III. MONEY AND BANKING

- a. After the price determination process has been thoroughly surveyed, the effect of money in our society is discussed.
- b. The nature of banking in general is discussed with a particular emphasis upon commercial banking.
- c. Federal Reserve Policies and general operation follow. Emphasis is placed upon the fractional reserve policy and its position in contributing to the multiple expansion of credit and deposits in our society.

I. INTRODUCTION

- a. Definition of Economic and economic activity
- b. Foundations of Economic activity, universally basic, are joined
together. Such factors as the nature of man, his environment
and organization of his society are discussed.
- c. Generalization
General terms and concepts as goods, utility, money, value,
production, etc., are introduced. Agents who would think
through economic problems must comprehend these basic con-
cepts and their application. The difficulty here is the fact
that the economist has no scientific vocabulary of his own that
he monopolizes. He uses familiar terms in an unfamiliar,
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consumption, number and type of consumers, etc., are introduced
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returns and diminishing utility.
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in the opposite direction. Perfect monopoly, the antithesis
of perfect competition is considered. Its laws of operation
and price determination are discussed.
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assumptions are removed one at a time and their resulting effect
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III. MONEY AND BANKING (Cont'd.)

- d. Price and Purchasing Power Indices are constructed, and their significance noted.
- e. Keynesian concepts and nomenclature are introduced at this point. Factors as the Multiplier, Propensity to Consume, Liquidity Preference, etc., are introduced but not emphasized as the amount of time devoted to this course in general is not adequate for such specialized study.

IV. DISTRIBUTION

- a. Marginal Productivity with its related concepts is introduced and emphasized as the foundation of the proportion of our national product distributed to the various factors of production.
- b. Rent is the first factor of production considered. The concepts of rent resulting from differences in productivity and location are given.
- c. Next, is an attempt to determine how labor's share of the national product is derived. The history of wage theories is developed. Statistics are used to illustrate the distribution of income within our society.
- d. Interest, its function and derivation, follow.
- e. A discussion of Profit, its function and derivation in our society, concludes this portion of the course devoted to the study of how the national income of our society is distributed among the component parts of the society.

V. ECONOMIC PROBLEMS

- a. At this particular juncture a departure is made into what are considered contemporary problems. In the consideration of these problems one is afforded an opportunity to introduce the basic concepts behind contemporary events. It also affords an opportunity to have the students apply the basic theory acquired previously.
- b. International Trade is surveyed. The basic concept of comparative advantage is introduced. Financing is next considered. The ultimate result is a discussion of the World Monetary Fund and World Bank for Reconstruction.
- c. Taxation is then considered. Historically, the growth of government expenditure in the U. S. is developed. Reasons for this increased expenditure command attention as well as the sources of increased revenues to meet these increased expenditures. Finally, basic principles of taxation and rate determination are given.
- d. Labor problems - historical and contemporary - follow.
- e. The course concludes with a survey of the position of the Consumer in our economy. Whether he is aware of the fact or not, it is illustrated why he is the "King of our economy." Also considered are the attempts of the various elements of our society to influence the Consumer in the manner of his decisions as to choice of goods that he decides to consume.

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- d. Labor problems - historical and contemporary - follow.
- e. The course concludes with a survey of the position of the Government in our economy. Whether or not it is a "big" or "small" government is illustrated by the "King of our economy." Also considered are the attempts of the various elements of our society to influence the Government in the manner of his decisions as to choice of goods that he decides to consume.

SOME ASPECTS OF BUSINESS ORGANIZATION
IN AN AGE OF MARKETING

William R. Davidson
The Ohio State University

THE JOURNAL OF BUSINESS ORGANIZATION

IN AN AGE OF MARKETING

William A. Davidson
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SOME ASPECTS OF BUSINESS ORGANIZATION IN AN AGE OF MARKETING

3:00 p.m., June 19, 20, 21

William R. Davidson
Department of Business Organization
The Ohio State University

In view of the fact that a large proportion of graduates of pharmacy colleges enter the retail drug store business and since the retail drug store business is an important part of our marketing structure in the United States, it is essential that they be provided with important information concerning this structure and its important contributions to consumer values and our standards of living. In these three meetings, attention will be devoted to some aspects of Business Organization in the field of marketing, with the comments organized around three major topics, as follows:

- 1) Some general concepts in the field of marketing
- 2) The institutional structure for marketing
- 3) Some criticisms of our business system and their validity

SOME GENERAL CONCEPTS IN THE FIELD OF MARKETING:

- I. Marketing defined: "the term marketing covers all business activities necessary to effect transfers in the ownership of goods and to provide for their physical distribution. It embraces the entire group of services and functions performed in the distribution of merchandise from producer to consumer, excluding only operations relating to changes in the form of goods normally regarded as processing or manufacturing operations."¹
- II. Marketing and business organization in history:
 - A. In the ancient civilizations, there was evidence of trade, but the self-sufficiency of most villages restricted marketing largely to luxury items.
 - B. In the Middle Ages, the handicraft system of more specialized production led to surpluses and the creation of markets and fairs.
 - C. The development of strong national governments and mercantilistic economic thinking which emphasized the necessity of a favorable balance of trade stimulated commerce.
 - D. But it was not until after the Industrial Revolution that a minute division of labor, the practice of standardization, and large scale production led to the necessity of marketing of products of ordinary, everyday consumption over large areas through a middleman system.
- III. Growth of interest in marketing as a phase of business organization.
 - A. Because of a rapidly growing economic order, there appeared to be an almost insatiable market for most goods until after the beginning of the twentieth century.
 - B. Under such conditions, it was natural that most business executives were primarily concerned with production (processing or manufacturing) problems.
 - C. After the turn of the century (with specific times varying according to industries) sufficient production capacity was developed to satisfy normal demand and attention was shifted to the marketing of goods and services in a "buyer's" market.
 1. This growing interest in marketing has continued down to the present day and is evidenced by:
 - a. college curricula in marketing
 - b. the development of textbooks on general marketing, functional areas, and specific institutions.

3:00 p.m., June 19, 20, 21

William R. Davidson
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- 1) Some general concepts in the field of marketing
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SOME GENERAL CONCEPTS IN THE FIELD OF MARKETING

I. Marketing defined: "The term marketing covers all business activities necessary to effect transfers in the ownership of goods and to provide for their physical distribution. It embraces the entire group of services and functions performed in the distribution of merchandise from producer to consumer, excluding only operations relating to changes in the form of goods normally regarded as processing or manufacturing operations."

II. Marketing and business organization in history:

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- C. The development of strong national governments and mercantilistic economic thinking which emphasized the necessity of a favorable balance of trade stimulated commerce.
- D. But it was not until after the Industrial Revolution that a marked division of labor, the principle of specialization, and large scale production led to the necessity of marketing of products of ordinary everyday consumption over large areas through a business system.

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1. This growing interest in marketing has continued down to the present day and is evidenced by:
 - a. College curricula in marketing
 - b. The development of textbooks on general marketing, functional marketing, and specific institutions.

- c. trade association activities in marketing
- d. the development of an extensive periodical literature
- e. professional associations of persons engaged in marketing
- f. the growth of specialized research organizations
- g. a changing concept of the task of the sales manager.

IV. The importance of marketing in our present day economic and business structure may be gauged in various ways, including:

- A. The volume of goods marketed and the total amount of trade transacted.
- B. The number of persons engaged in marketing activities (one-fifth of the work force)
- C. Personal income derived from marketing (one-fifth of total personal income)
- D. The vastness of the institutional structure for marketing (discussed later)
- E. The cost of marketing, which has been variously estimated at over .50 out of the consumers' dollar.

V. Marketing consists of functions or activities:

- A. Marketing functions defined: "a major economic activity which is inherent in the marketing process, pervades it throughout, and which through a continuous division of labor tends to become specialized."²
- B. There is no universally accepted list of marketing functions, but the most widely accepted classification is as follows:
 - 1. The functions of exchange:
 - a. buying
 - b. selling
 - 2. The functions of physical supply:
 - a. transportation
 - b. storage
 - 3. The facilitating functions:
 - a. standardization and grading
 - b. financing
 - c. risk bearing
 - d. market information

VI. That marketing is a highly productive phase of our economic and business structure has not been popularly accepted.

- A. Marketing has been rather popularly viewed as synonymous with selling, and selling has been looked upon as non-productive effort.
- B. The productive nature of marketing activities can be explained in abstract economic terms.
 - 1. Production is the creation of "utilities". Utilities are the capacity of a good to satisfy human wants and desires.
 - 2. Various types of utilities have been recognized, including:
 - a. form utilities, as derived from manufacturing operations or agricultural production.
 - b. time utilities, as derived from the storage function of marketing
 - c. place utilities, as derived from the transportation of marketing.
 - d. ownership utilities, as derived from the marketing functions of exchange
- C. There is a great need for emphasizing the highly productive nature of the activities that are carried on in marketing institutions

1. the growth of specialized research organizations
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- IV. The importance of marketing in our present day economic and business structure may be judged in various ways, including:
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 - d. ownership utilities, as derived from the marketing functions of exchange
- C. There is a great need for expanding the highly productive nature of the activities that are carried on in marketing institutions.

THE INSTITUTIONAL STRUCTURE FOR MARKETING:

I. Major divisions of the Marketing Structure:

- A. The wholesaling structure: consisting of about 240,000 establishments
 - 1. Wholesaling has been authoritatively defined as including "all marketing transactions in which the purchaser is actuated solely by a profit or business motive in making the purchase and, if the goods are bought from a concern operating substantially as a retail establishment and such goods are not intended for resale, the quantity is materially in excess of that which might reasonably be purchased by an ultimate consumer."³
 - 2. There are two major areas of activity in the wholesaling structure:
 - a. wholesaling consumer goods intended for resale in the same physical form.
 - b. wholesaling industrial goods intended for consumption or use in the industrial or business process.
- B. The retailing structure: consisting of about 1,800,000 establishments.
 - 1. Retailing has been authoritatively defined as including "all marketing transactions in which the purchaser is actuated solely by a desire to satisfy his own personal wants or those of his family or friends through personal use of the commodity or service purchased; it also includes transactions involving the purchase of goods for industrial consumption, from a concern operating substantially as a retail establishment, in quantity not materially larger than that which might reasonably be purchased by an ultimate consumer."⁴

II. The major institutional segments of the wholesaling structure are:

- A. Regular or merchant wholesalers who take title to the goods in which they deal, are independent in ownership from suppliers and customers, usually assemble goods from numerous sources, warehouse stocks, provide selling, delivery, and credit service to customers.
- B. Manufacturers' branch offices which are of two types:
 - 1. With stocks: such establishments usually operate in a manner similar to regular wholesalers, but distribute wholly or principally merchandise produced by the manufacturer.
 - 2. Without stocks: such establishments are usually operated principally for the decentralized control of selling operations.
- C. Agents and brokers, or the so-called functional middlemen, who do not take title to the goods in which they deal, act merely as representatives of sellers or purchasers of goods, and specialize in the performance of only one or a limited number of the eight marketing functions.
- D. Assemblers: principally agencies or merchants engaged in assembling farm products.
- E. Petroleum bulk stations: which may be either manufacturers' branch offices or merchant wholesalers but which are classified separately because of the specialized nature of their physical facilities and line of merchandise.
- F. Chain store warehouses: which perform wholesaling functions for a group of retail stores with a common ownership.

I. Major divisions of the marketing structure:

- A. The wholesaling structure: consisting of about 250,000 establishments.
 1. Wholesaling has been authoritatively defined as including "all marketing transactions in which the purchaser is motivated solely by a profit or business motive in making the purchase and, if the goods are bought from a concern operating substantially as a retail establishment and such goods are not intended for resale, the quantity is relatively in excess of that which might reasonably be purchased by an ultimate consumer."
 2. There are two major areas of activity in the wholesaling structure:
 - a. Wholesaling consumer goods intended for resale in the same physical form.
 - b. Wholesaling industrial goods intended for consumption or use in the industrial or business process.
- B. The retailing structure: consisting of about 1,800,000 establishments.
 1. Retailing has been authoritatively defined as including "all marketing transactions in which the purchaser is motivated solely by a desire to satisfy his own personal wants or those of his family or friends through personal use of the commodity or service purchased; it also includes organizations investing the purchase of goods for industrial consumption, from a concern operating substantially as a retail establishment, in quantities not materially larger than that which might reasonably be purchased by an ultimate consumer."

II. The major institutional segments of the wholesaling structure are:

- A. Supplier or producer wholesalers who take title to the goods in which they deal, are independent in ownership from suppliers and customers, usually receive goods from numerous sources, store, house stocks, provide selling, delivery, and credit service to customers.
- B. Merchant wholesalers, which are of two types:
 1. With stocks: such establishments usually operate in a manner similar to regular wholesalers, but distribute wholly or principally merchandise produced by the manufacturer.
 2. Without stocks: such establishments are usually operated principally for the centralized control of selling operations.
- C. Agents and brokers, or the so-called financial middlemen, who do not take title to the goods in which they deal, act merely as representatives of buyers or producers of goods, and operate in the performance of only one or a limited number of the selling selling functions.
- D. Associations: principally agencies or networks engaged in assembling their products.
- E. Petroleum bulk stations: which may be either manufacturers' branch offices or merchant establishments but which are classified separately because of the specialized nature of their physical facilities and line of merchandising.
- F. Chain store warehouses: which perform wholesaling functions for a group of retail stores with a common ownership.

- III. The total volume of trade transacted by wholesaling establishments, in spite of some popular opinion to the contrary, is always considerably larger than the total volume of trade transacted by retailing establishments. This is true because wholesaling establishments, in addition to selling goods to retail stores
- A. Also sell substantial quantities of goods to
 1. industrial or business consumers, and
 2. other wholesaling establishments, and
 - B. Sell some goods to
 1. buyers in foreign countries, and
 2. ultimate or household consumers.
- IV. The major institutional segments of the retailing structure: Retail institutions are of various kinds and types and may be classified in a number of ways. From the standpoint of public interest and the unique character of the operation, a classification (in which the groups overlap to some extent) is as follows:
- A. Single-store independents which constitute the great bulk of our retail establishments and include various types, as follows:
 1. General stores, handling a considerable variety of merchandise drawn from several lines of business but not departmentized, such as grocery, drug, dry goods, and hardware items.
 2. Single-line stores, such as drug stores, grocery stores, hardware stores.
 3. Specialty stores, handling only part of a regular line of merchandise such as millinery shops, men's shirt shops, drapery stores.
 - B. Chain store organizations (which as measured by the Census must consist of four or more units) which vary in relative importance among various lines of business according to the degree to which standard operating procedures can be effectively applied.
 - C. Department and departmentized specialty stores, which are usually fairly large institutions with merchandise grouped into separate operating departments for control purposes.
 - D. Mail-order houses selling by means of catalogs.
 - E. Farmer and consumer cooperative stores.
 - F. Manufacturers' direct selling establishments, such as those operated by the Fuller Brush Company and the Real Silk Hosiery Company.
 - G. Independent leased departments, not generally recognized by the consuming public and most commonly encountered in department stores, but also in other lines of business.
 - H. Government operated establishments, as military commissaries and state operated liquor stores.
- V. The institutional structure of business organizations engaged in retailing in the United States has been responsive to a changing environment.
- A. Throughout the history of our country, the development of retailing has been characterized by waves of progress of various types of businesses:
 1. The trading posts
 2. Country general stores
 3. Single-line stores
 4. Department stores
 5. Mail order companies
 6. The corporate chain
 7. The voluntary chain
 8. The supermarket

III. The total volume of goods transferred by wholesaling establishments in a given country is the sum of the volume of goods transferred by retail establishments. This is the business wholesaling establishments in addition to selling goods to retail stores.

- A. Also see statistical quantities of goods to:
 1. Industrial or business concerns, and
 2. Other wholesaling establishments, and
 3. All other goods to
- B. However in foreign countries, and
- C. Wholesaling or business concerns.

IV. The major institutional segments of the retailing structure are of various kinds and types and may be classified in a number of ways. From the standpoint of public interest and the nature of the operation, a classification (in which the groups overlap to some extent) is as follows:

- A. Single-store institutions which constitute the great bulk of our retail establishments and include various types, as follows:
 1. General stores, handling a considerable variety of merchandise drawn from several lines of business but not departmentalized, such as grocery, drug, dry goods, and hardware items.
 2. Single-line stores, such as drug stores, grocery stores, hardware stores.
 3. Specialty stores, handling only part of a regular line of merchandise such as millinery shops, shoe shops, jewelry stores.
 4. Chain store organizations (which are measured by the Census Bureau) consist of four or more units which vary in relative importance among various lines of business according to the degree to which standard operating procedures can be effectively applied.
- B. Department and departmentalized specialty stores, which are usually fairly large institutions with merchandise grouped into separate operating departments for certain purposes.
 1. Mail-order houses selling by means of catalogs.
 2. Pattern and costume cooperative stores.
 3. Manufacturers' direct selling establishments, such as those operated by the Fuller Brush Company and the Real Silk Beauty Company.
 4. Independent leased departments, not generally recognized by the consuming public and most commonly encountered in department stores, but also in other lines of business.
 5. Government operated establishments, as military commissaries and state operated liquor stores.

V. The institutional structure of business organizations changed in response to the United States has been responsive to a changing environment.

- A. Throughout the history of our country, the development of retailing has been characterized by waves of progress of various types of business:
 1. The trading posts
 2. Country general stores
 3. Single-line stores
 4. Department stores
 5. Mail order companies
 6. The corporate chain
 7. The voluntary chain
 8. The supermarket

- B. Although the development of retail institutions followed the pattern just indicated, many of the earlier types still remain which fact has led to the evolvement of an important marketing principle: "that if an institution performs essential functions, it continues to exist so long as the conditions which favored its development remain in some degree."⁵ A natural corollary of this principle is that when social and economic conditions change and favor the development of new types of institutions, such new institutions are evolved.

VI. Some of the most important changes in business organizations engaged in retail distribution include the following:

- A. The decentralization of retail trade in large cities into completely planned secondary or suburban shopping districts, frequently developed by real estate promoters who share the business risks of retailing.
- B. The development of branch stores by department stores and departmentized specialty stores, in suburban or outlying locations.
- C. The growth of ownership groups of retail stores (a hybrid type incorporating some features of chain store and some features of holding company operation), exhibiting considerable variety in the degree of centralized control, and usually retaining the original identity of the original individual businesses.
- D. The extension of self-service and self-selection principles of merchandising (as originally developed in the variety store field and later in the grocery trade) into numerous lines of business.
- E. The expansion of merchandise lines (by type of merchandise and price line offerings) by almost all types of retail stores in a struggle for greater volume and higher gross profits.

AN EXAMINATION OF SOME IMPORTANT CRITICISMS OF OUR BUSINESS SYSTEM FOR MARKETING:

I. Some of the more common of these criticisms are:

- A. That marketing costs too much, both as a per centage of the consumer's dollar, and in the absolute.
 - 1. Increases in efficiency in manufacturing or agricultural production brought about by increased specialization, geographically and by individual companies, and larger scale production can only place increased burdens on the marketing mechanism.
 - 2. In examining the costs of marketing, attention must be given to the productive value of the large number of useful functions performed.
 - 3. Marketing costs can increase as a percentage of the consumer's dollar but be accompanied by a lower unit price and better value to the consumer.
- B. That aggressive advertising and salesmanship are wasteful.
 - 1. Nothing moves until a sale is made to the ultimate consumer.
 - 2. These activities often increase total consumption, leading to a higher general standard of living.
 - 3. More efficient performance of these functions is resulting from the application of more scientific methods.
- C. That the consumer is not provided with adequate information for intelligent purchasing.
 - 1. Informative and descriptive labeling have greatly increased.
 - 2. Codes of ethics have been adopted by trade and professional associations.

Although the development of retail institutions followed the pattern just indicated, many of the earlier types still remain which have led to the evolution of an important marketing principle: "that if an institution performs essential functions, it continues to exist so long as the conditions which favored its development remain in some degree." A natural corollary of this principle is that when social and economic conditions change and favor the development of new types of institutions, such new institutions are evolved.

VI. Some of the most important changes in business organizations engaged in retail distribution include the following:

- A. The decentralization of retail trade in large cities into comparatively planned secondary or suburban shopping districts, frequently developed by real estate promoters who share the business trade of retailing.
- B. The development of branch stores by department stores and departmentalized specialty stores, in suburbs or outlying locations.
- C. The growth of ownership groups of retail stores (a hybrid type incorporating some features of chain stores and some features of holding company operations), exhibiting considerable variety in the degree of centralized control, and usually retaining the original identity of the original individual businesses.
- D. The extension of self-service and self-selection principles of merchandising (as originally developed in the variety store field and later in the grocery store) into numerous lines of business.
- E. The expansion of warehouse lines (by type of merchandise and price line offerings) by almost all types of retail stores in a struggle for greater volume and higher gross profits.

AN EXAMINATION OF SOME IMPORTANT CRITICISMS OF OUR BUSINESS SYSTEM FOR MARKETING:

I. Some of the more common of these criticisms are:

- A. That marketing costs too much, both as a per centage of the consumer's dollar, and in the absolute.
 1. Increases in efficiency in manufacturing or agricultural production brought about by increased specialization, mechanization, and by individual companies, and larger scale production can only place increased burdens on the marketing mechanism.
 2. In examining the costs of marketing, attention must be given to the productive value of the large number of useful functions performed.
 3. Marketing costs are measured as a percentage of the consumer's dollar but are accompanied by a lower unit price and higher value to the consumer.
- B. That aggressive advertising and salesmanship are wasteful.
 1. Nothing moves until a sale is made to the ultimate consumer.
 2. These activities often increase total consumption, leading to a higher general standard of living.
 3. More efficient performance of these functions is resulting from the application of more scientific methods.
- C. That the consumer is not provided with adequate information for intelligent purchasing.
 1. Informative and descriptive labeling have greatly increased.
 2. Codes of ethics have been adopted by trade and professional associations.

3. The government has exercised some control in this area by legislation.
 - D. That excessive and unnecessary services are rendered to consumers, resulting in excessive and unnecessary costs.
 1. The consumer has alternatives in purchasing almost any type of goods or services.
 2. Price competition usually brings about a curtailment of such services when they become excessive and undesirable.
 - E. That there are too many middlemen in our marketing system. This criticism takes two forms:
 1. That there are too many different types of middleman; or too many different links in the channel of distribution.
 - a. the existence of numerous types offers the manufacturer alternatives in seeking out the best method of distribution for his product.
 - b. The existence of numerous types is evidence of specialization, usually recognized as a criterion of efficiency.
 - c. The elimination of middleman does not result in the elimination of any of the marketing functions.
 - d. The most direct methods of distribution are frequently the most costly.
 2. That there are too many of the same type of middleman competing on the same level or plane of distribution in the sale of the same line or kind of merchandise.
 - a. There is no conclusive evidence that greater efficiency is accompanied by larger size of the business unit in retail trade.
 - b. The existence of a large number of middlemen of the same type is evidence that competition is at work, and that it is necessary for them to compete on a basis of business efficiency.
- II. Numerous remedies or solutions have been proposed from time to time for correcting the claimed weaknesses or evils that exist in our marketing system.
- A. Some of these could be effected only by changing the nature of our enterprise system. Among these might be included:
 1. Socialism
 2. A higher degree of government (federal and state) regulation of trade practices.
 3. Consumer cooperation in distribution.
 4. Enforced licensing of dealers to prohibit entrance of the unqualified.
 - B. If it is assumed that the continuance of competitive capitalism is desirable, none of the above proposed remedies can be satisfactory as a cure-all.
 - C. Apparently the only remedy to overcome these criticisms has two slants:
 1. The adoption of a positive, rather than an apologetic attitude by those engaged in the marketing process with reference to the nature of the functions performed and services rendered in marketing goods.
 2. Increased efficiency in distribution which can be brought about through:
 - a. the more widespread application of principles of scientific business management in wholesaling and retailing establishments.

- b. Greater expenditures for basic research in the field of marketing to parallel the advances made by research in the physical sciences and in industrial production.

Notes:

1. Maynard, Harold H., and Theodore N. Beckman, "Principles of marketing" (New York: The Ronald Press Company, 1946), p.3.
2. Ibid., p.29.
3. Beckman, Theodore N., and Nathanael N. Engle, "Wholesaling, Principles and Practice." (New York: The Ronald Press Company, 1949), p.23.
4. Ibid
5. Maynard, Harold H., and Theodore N. Beckman, op. cit., p. 117.

b. Greater expenditures for basic research in the field of
marketing to parallel the advances made by research in the
physical sciences and in industrial production.

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1. Raymond, Harold N., and Theodore N. Beckman, "Principles of Marketing"
(New York: The Ronald Press Company, 1946), p. 3.
 2. Ibid., p. 29.
 3. Beckman, Theodore N., and Raymond N. Beckman, "Wholesaling, Principles
and Practices," (New York: The Ronald Press Company, 1949), p. 25.
 4. Ibid.
 5. Raymond, Harold N., and Theodore N. Beckman, op. cit., p. 117.

THE USE OF THE MODEL PHARMACY
AS A MERCHANDISING AND MANAGEMENT LABORATORY

Dr. Seymour B. Jeffries
Brooklyn College of Pharmacy

THE USE OF THE MOTTED PAPER
AS A MEASURING AND MANAGEMENT LABORATORY

Dr. Raymond B. Jelliffe
Brooklyn College of Pharmacy

Syllabus of Lecture to be delivered by S. B. Jeffries, Professor Pharmaceutical Business Management, Brooklyn College of Pharmacy and Coordinator Drug, Cosmetic & Toiletory Marketing Unit, Business School of the City College of New York.

USE OF THE MODEL PHARMACY AS A MERCHANDISING
AND MANAGEMENT LABORATORY

- I. Necessity for Developing a Practical Professional
 - A. Expert in preparation dispensing and use of drugs
 - B. Contributions to advancement of pharmacy too numerous to mention
 - C. Professional activities do not exist in a vacuum
 - 1) Regardless of character of pharmacy substantial percentage of time devoted to non-professional business activities - including buying, stock control, accounting, tax matters, keeping a myriad of forms required by Federal, State and Local governmental agencies, personnel management, promotion, and selling.
 - 2) Economic considerations are part and parcel of the practice of any profession - but more so in pharmacy where methods of conducting business are more formalized.
 - 3) Ample justification historically for emphasis placed on commercial aspects.
 - a) Organization handling of volume of 35¢ and upwards must conform to sound business principles to get by.
- II. Problem of Teaching Modern Drugstore Management and Merchandising Techniques Complicated by:
 - A. Absence of training in the basic elements of the retail operation.
 - 1) Scope of economic courses given are of necessity broad.
 - 2) The treatment of critical business problems general.
 - 3) Students do not acquire a working acquaintanceship with the retailing tools he will have to employ in the practice of his profession.
 - B. Critical shortage of curriculum time - obviously a handicap.
 - C. Outdated objections to pinpointed business training of any sort (tacit admission that pharmacy has commercial aspects).
 - 1) The hospital pharmacist, given managerial responsibilities.
 - 2) Similarly 100% professional pharmacy must conform to accepted business practices.
- III. With the encroachment of other types of retail outlets into (merchandise) fields traditionally enjoyed by pharmacies, there is a clear and pressing need to expose students to the latest trends in retail management policies, trade practices and competition and provide them with a sound knowledge of retail merchandising and sales promotion.
 - A. This obtains regardless of nature of students final objective in the pharmaceutical field.
 - 1) Employment as manufacturers salesman or detailman,
 - 2) Employment as wholesalers salesman,
 - 3) Employment as researcher by a pharmaceutical house where the realities of marketing problems play a large part in product development,
 - 4) As marketing executive in a pharmaceutical house.
 - B. Retail druggist is critical link in the chain of distribution of drug products to public.

System of lectures to be delivered by S. H. Jaffar, Professor Pharmaceutical
Business Management, Brooklyn College of Pharmacy and Coordinator
Drug, Cosmetic & Toiletary Marketing Unit, Business School of the
City College of New York.

USE OF THE MODEL PHARMACY AS A MARKETING AND MANAGEMENT LABORATORY

- I. Reasons for developing a Practical Professional
A. Expert in preparation dispensing and use of drugs
B. Contributions to advancement of pharmacy for numerous to mention
C. Professional activities do not exist in a vacuum
1) Segregation of character of pharmacy substantial percentage of
time devoted to non-pharmaceutical business activities - including
buying, stock control, accounting, tax matters, keeping a written
of forms required by Federal, State and Local Governmental agencies,
personnel management, promotion, and selling.
2) Economic considerations are part and parcel of the practice of any
profession - but more so in pharmacy where methods of conducting
business are more formalized.
3) Anti-trust legislation historically for concerns placed on commercial
business.
4) Organization handling of volume of 70 and upwards must conform
to sound business principles to get by.
- II. Problem of teaching Modern Pharmacy Management and Marketing
Techniques Confronted by:
A. Absence of training in the basic elements of the retail operation.
1) Scope of economic courses given are of necessity broad.
2) The treatment of critical business problems general.
3) Students do not acquire a working acquaintance with the
retailing tools he will have to employ in the practice of his
profession.
B. Critical shortage of curriculum time - obviously a handicap.
C. Outlined objectives to pinpoint business training of any sort (both
education that pharmacy has completed awarded).
1) The hospital pharmacist, given managerial responsibilities.
2) Similarly 100% professional pharmacy must conform to accepted
business practices.
- III. With the environment of other types of retail outlets into (merchandising)
fields traditionally enjoyed by pharmacists, there is a clear and pressing
need to expose students to the latest trends in retail management policies,
trade practices and competition and provide them with a sound knowledge of
retail merchandising and sales promotion.
A. This obvious requirement of nature of students final objective in the
pharmaceutical field.
1) Employment as manufacturers salesman or detailman.
2) Employment as wholesale salesman.
3) Employment as researcher by a pharmaceutical house where the
realities of marketing problems play a large part in product
development.
4) As marketing executive in a pharmaceutical house.
B. Retail drugstore is critical link in the chain of distribution of drug
products to public.

- IV. Treatment of general business principles on theoretical level frequently necessary, but buttressed by contrived experiences made possible thru the use of models, mock-ups and sound slide films and other visual aids concentrating on learning by doing and observing as well as hearing, these business principles acquire substance and a clear relationship to reality.
- A. Importance of acquiring direct, purposeful experience with the business aspects of drug store operation cannot be overemphasized but:
- 1) Application of this principle for purposes of teaching is difficult because:
 - a) too time consuming,
 - b) too many extraneous elements apt to distract students.
- B. The "skill" training necessary to perform drug store managerial and sales functions more easily acquired if student is given the opportunity to gain dexterity and experience working with the materials, equipment and supplies he will later use in retail drug store practice -- this is the theory behind a course such as Dispensing Pharmacy.
- C. By setting up the Model Drug Store you see here, we have taken hold of reality. We rearrange it to emphasize this or that aspect of pharmacy operation as the need arises. Thus we are afforded many of the advantages of direct experience without its disadvantages. Complicated and distracting elements are minimized or removed entirely leaving the students mind free to focus on the core of the problem in issue.
- 1) The pharmacy is complete except for show windows, and a stock room. Mock-up windows have been set up in a special room where students actually participate in window planning and window dressing projects. In addition, a model stock room is provided as an aid to teaching inventory and stock control.
- V. Use of the Model Pharmacy
- A. Best laboratory worthless if not used properly.
- B. Projects must be developed to provide student with an opportunity to practice and acquire desired skills.
- C. The subject matter of the project should be covered by the instructor before the student "tries his hand".
- 1) Lecture and discussion of the business principle involved.
 - 2) Demonstration of the principle wherever possible.
 - a) as in a selling situation - "suggesting prescription accessories with a prescription".
 - 3) Use of both slide films and motion pictures recommended wherever possible to provide broad general background in the business area under discussion.
- D. For example: In teaching the principles and practices of Window and Interior Display the following procedure has been found to be extremely effective:
- 1) General introduction to the subject matter stating aims and objectives -- slanted to motivate students.
 - 2) Showing of the American Drug Store Business Training Series sound slide film, "Window and Interior Display".
 - 3) Discussion of the principles stated in the film and the accompanying training manual followed by a question and answer period.
 - 4) Class moved from lecture room into the Model Drug Store where mock-up window has been set up.
 - 5) The job work sheets prepared especially for the project are distributed. As many students as possible participate in the project applying the principles laid down earlier. The number of working students is kept to a workable minimum. Those who do not work observe, then prepare constructive critiques. The jobs called for include:

- 5) (continued)
 - a) Sketching layout plan (as shown in film). Blowup photographs of promotional and professional windows set up around the room.
 - b) Assembling and cleaning fixtures for windows.
 - c) Assembling display materials.
 - d) Assembling merchandise - planning what merchandise to display.
 - e) Installing displays.
- 6) This phase of the project is concluded with general class discussion.
- 7) The job work sheet for interior display covers essentially the same points.
 - a) Planning and assembling the merchandise for display on counters, in showcases, on tables, gondolas and in the prescription fixture display case, etc. Photographs of these different types of display units are discussed, and their advantages and disadvantages pointed out.
 - b) Cleaning fixtures.
 - c) Preparing display equipment.
 - d) Inserting merchandise.
- 8) A critique is held on student performance concluded by a general discussion of the subject.
- E. At least three class hours are devoted to merchandising prescription accessories. This part of the course is built around the American Drug Store Business Training Series slide film package "Merchandising Prescription Accessories".
 - 1) The training manual is used as the basic text for lecture and discussion purposes.
 - 2) The student working from a prepared job work sheet practices in the model store the principles he has seen, heard and discussed. He plans and locates the department.
 - 3) Promotions are planned and appropriate merchandise is selected. Display space is cleared and merchandise inserted.
 - 4) The critique takes place in the model pharmacy.
- F. Students are taught the latest methods of "Promoting the Prescription Department to the Professions" (part of the general subject "Merchandising and Management of Prescription Department) through the use of lecture material, the sound slide film training package, "Promotion to the Professions" and through actual practice in the model pharmacy.
 - 1) The film training manual is used as the basic text.
 - 2) The principles and problems stated therein are discussed at length. Experiences of practicing druggists using the techniques described are discussed.
 - 3) Wherever possible, situation demonstrations are set up to show the right and wrong way to handle the physician, both in "person-to-person" contacts and "telephone contacts". Students act the parts assigned.
 - 4) Recordings are made of students telephone and person-to-person techniques and criticized by the group as a whole.
- G. Departmentalization (layout and planning) is taught essentially by the lecture - demonstration - discussion method.
 - 1) The American Drug Store Business Training slide film "Departmentalization" along with its accompanying training manual provide the basic course material necessary to acquaint the student with the principles and application of departmentalization.
 - 2) Additional photographs and floor plan blueprints are studied and discussed.
 - 3) The layout of the Model Drug Store itself is analyzed. The role of demand and impulse items in directing customer flow is discussed and cases are cited in support.

- (continued)
- a) Studying layout plan (as shown in film). Group photographs of vocational and professional windows set up around the room.
 - b) Establishing and cleaning fixtures for windows.
 - c) Assembling display materials.
 - d) Assembling merchandise - planning what merchandise to display.
 - e) Labeling display.
- This phase of the project is concluded with general class discussion.
- f) The job work sheet for interior display covers assembly of the window.
 - g) Planning and assembling the merchandise for display on computers in windows, on tables, gondolas and in the present display. The window units are discussed, and their advantages and disadvantages are pointed out.
 - h) Cleaning fixtures.
 - i) Preparing display equipment.
 - j) Labeling merchandise.
- A critique is held on student performance conducted by a general discussion of the subject.
- At least three class hours are devoted to merchandising presentation exercises. This part of the course is built around the window plan. The window plan is used as the basis for the window plan and the window plan is used as the basis for the window plan.
- 1) The window plan is used as the basis for the window plan and the window plan is used as the basis for the window plan.
 - 2) The window plan is used as the basis for the window plan and the window plan is used as the basis for the window plan.
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 - 8) The window plan is used as the basis for the window plan and the window plan is used as the basis for the window plan.
 - 9) The window plan is used as the basis for the window plan and the window plan is used as the basis for the window plan.
 - 10) The window plan is used as the basis for the window plan and the window plan is used as the basis for the window plan.

G. (continued)

- 4) Miniature models similar to those used in the slide film are used to illustrate solutions to problems raised by students.
- 5) Fixtures (show cases, tables, gondolas, counters and step displays) purposely designed and set up on casters so that they could be moved about easily, are shifted about by students to demonstrate the principles discussed.
- 6) Techniques of departmental controls (stock and sales) are demonstrated and discussed, including:
 - a) Basic or minimal departments or grouping of items for various types of stores.
 - b) Limiting shelf and drawer space as a form of control.
 - c) Allocation of space on basis of potential contributing gross profits by product or group or department.
 - d) Allocation of time and promotional effort basis of gross profit potential by department or group of products.

H. Actual modernization of the Model Pharmacy is treated as a contrived experience. Mock experience of the reality we are trying to clarify to the student. Experience is imitated by using the Model Pharmacy, assigning to it the characteristics and qualities that exist in real experience.

- 1) The immediate objective was to develop the modernization program as would a progressive operating druggist alive to the problem of bringing his pharmacy up to date.
- 2) The step-by-step experience reflected in the end products of the modernization - in the character and type of fixtures and equipment, the layout, displays, lighting and decorations - are real but simplified. Thus students, given the problem of modernization, face real experience while working with the component parts of the Model Pharmacy.
- 3) The student is taken through the entire modernization process from the planning and budget stage on through the blueprint stage to the completed model.
- 4) Background: Motivation - Need for Pharmacy Modernization Critical
 - a) With merchandising methods changing rapidly, the pharmacist who fails to keep up with the leaders soon finds himself falling behind in the competitive race.
 - b) The accelerated invasion of other types of retailers into merchandise areas traditionally enjoyed by druggists is due largely to the continuing lag in the national rate of pharmacy modernization as compared with the modernization rate of the invading retail outlets.
 - c) Obsolescence is the druggist's worst enemy.
 - d) The Pharmacist who finally decides to modernize is motivated fundamentally by the material advantages he stands to gain -- increased sales volume, increased efficiency, decreased costs and increased profits.
 - 1) In addition he wants to create the impression of progress, modernity and success.
 - 2) People are attracted to success.
 - 3) He has recognized that there is no surcease in the battle against obsolescence.
 - e) While these factors may furnish the broad intellectual motivation necessary to move the pharmacy student to acquire at least a working familiarity with the principles of modernization, he is more strongly motivated by the emotional impact of his personal stake in knowing the subject matter thoroughly. Looking forward

5. (continued)
- 4) Illustrative models similar to those used in the slide film are used to illustrate solutions to problems raised by students.
 - 5) Structures (show cases, tables, condenser, containers and other displays) purposefully designed and set up on easers so that they could be moved about easily, are shifted about by students to demonstrate the principles discussed.
 - 6) Techniques of departmental controls (stock and sales) are demonstrated and discussed, including:
 - a) Basic or minimal departments or grouping of items for various types of stores.
 - b) Limiting shelf and drawer space as a form of control.
 - c) Allocation of space on basis of potential contributing gross profits by product or group or department.
 - d) Allocation of time and promotional effort basis of gross profit potential by department or group of products.
6. Actual modification of the Model Pharmacy is treated as a tentative experience. Much experience of the reality we are trying to clarify to the student. Experience is initiated by using the Model Pharmacy, assigning to it the characteristics and qualities that exist in real experience.
- 1) The immediate objective was to develop the modification program as would a progressive operating department alive to the problem of putting his pharmacy up to date.
 - 2) The step-by-step experience reflected in the end products of the modification - in the character and type of fixtures and equipment, the layout, display, lighting and decorations - are real but slightly ideal. Thus students, given the problem of modification, have real experience while working with the component parts of the Model Pharmacy.
 - 3) The student is taken through the entire modification process from the planning and budget stage on through the blueprint stage to the completed model.
 - 4) Background: Motivation - Need for Pharmacy Modernization Outline
 - a) With merchandising methods changing rapidly, the pharmacist who fails to keep up with the leaders soon finds himself falling behind in the competitive race.
 - b) The accelerated invasion of other types of retailers into the changes areas traditionally enjoyed by druggists is the largely to the continuing lag in the national rate of pharmacy modernization as compared with the modernization rate of the invading retail outlets.
 - c) Obsolescence is the druggist's worst enemy.
 - d) The pharmacist who finally decides to modernize is motivated fundamentally by the material advantages he stands to gain - increased sales volume, increased efficiency, decreased costs and increased profits.
 - e) In addition he wants to create the impression of progress, modernity and success.
 - f) People are attracted to progress.
 - g) He has recognized that there is no success in the battle against obsolescence.
 - h) While these factors may furnish the broad intellectual motivation necessary to move the pharmacist student to acquire at least a working familiarity with the principles of modernization, he is more strongly motivated by the emotional aspects of his personal stake in knowing the subject matter thoroughly, looking forward

- e) (continued)

to a fruitful career in retail pharmacy he is made to realize that an understanding of the subject of modernization is vital. One serious mistake in handling any one of the many complicated aspects of modernization might prove disastrous on the very threshold of his professional career.
- 5) Background: Discussion of Basic Decisions Affecting Modernizing
 - a) The student arrives at two policy decisions affecting modernization after examining and studying photos of the "old" pharmacy along with models of old fixtures preserved for that purpose:
 - 1) Whether to modernize at all and,
 - 2) To what extent.
 - b) Layout, wall shelving, counters, cases and lighting equipment are analyzed from the point of view of their function as "selling tools".
 - 1) They are compared to modern merchandising equipment used in the most successful pharmacy operations (standards for comparison).
 - 2) The fact that "old fashioned fixtures deter sales while modernized equipment improves sales" is brought home forcefully.
- 6) Background: Discussion of "Extent of Modernization Circumscribed by Budget Limitation and Condition of Pharmacy"
 - a) What improvements should be made determined not only by the condition of the store and its equipment but also by the budget limitations of the pharmacy.
 - b) Modernization expenditures are justifiable only on the basis of profit and loss. Unless the money spent will result in increased profits or prevent a loss, it would be foolish to modernize.
 - c) The rate of improvement should depend on the amount of money the pharmacist can afford to spend without affecting his financial position adversely. The student is cautioned against saddling himself with an indebtedness that will make him a slave to his equipment dealer. Just as obsolescence is a slow wearing away of modernity and success, improvement can be a slow rebuilding of mercantile success.
 - d) Since modernization can mean anything from the application of a new coat of paint to completely new fixtures and equipment, the Model Pharmacy contains examples of new, refinished, repaired and remodeled fixtures and lighting equipment. More frequently than not, budget limitations will call for ingenuity and good engineering to convert obsolete fixtures into modern selling aids.
 - 1) For example, an old eight-foot prescription counter was modernized by adding a stainless steel sink and covering the entire unit with an inexpensive plastic top.
 - 2) An old mahogany glass wall case was cut down to 54" to create a semi-visual prescription partition and also to provide space for a prescription accessory display.
 - 3) Two new cases were added, one on each side, for displaying vitamin and diabetic supplies.
 - 4) An old 30-foot "waiting" counter was converted into a modern "sales" provoking counter by building a completely new step display skeleton over the old frame work.
 - 5) Open displays areas in the front and on the ends were also provided. Old drawers were faced to harmonize.

- (continued)
- to a retail pharmacy is made to realize that an understanding of the subject of modernization is vital. The student must be handling any one of the many complicated aspects of modernization might prove disastrous on the very threshold of his professional career.
- Background: Discussion of Basic Decisions Affecting Modernization
- a) The student arrives at two policy decisions affecting modernization after examining and studying photos of the "old" pharmacy along with notes of old fixtures preserved for that purpose:
- 1) Whether to modernize at all and,
 - 2) To what extent.
- b) Factors, well showing, concrete, cases and lighting equipment are analyzed from the point of view of their function as "selling tools".
- 1) They are compared to modern merchandising equipment used in the most successful pharmacy operations (standards for comparison).
 - 2) The fact that "old fashioned" fixtures have sales while modernized equipment "improves sales" is brought home through study.
- Background: Discussion of "Extent of Modernization Determined" by Student Initiative and Condition of Pharmacy
- a) What improvements should be made determined not only by the condition of the store and its equipment but also by the budget limitations of the pharmacy.
- b) Modernization expenditures are justifiable only on the basis of profits and losses. Unless the money spent will result in increased profits or prevent a loss, it would be foolish to modernize.
- c) The rate of improvement should depend on the amount of money the pharmacist can afford to spend without affecting his financial position adversely. The student is cautioned against equating himself with an individual who will make him a slave to his "newest" dealer. That an obsolescence is a slow wearing away of modernity and success, improvement can be a slow rebuilding of scientific modernity.
- d) Since modernization can mean anything from the application of a new coat of paint to completely new fixtures and equipment, the Model Pharmacy contains examples of new, refinished, repaired and remodeled fixtures and lighting equipment. More frequently than not, budget limitations will call for ingenuity and good engineering to convert obsolete fixtures into modern selling aids.
- 1) The example, an old eight-foot prescription counter was modernized by adding a stainless steel sink and covering the entire unit with an expensive plastic top.
 - 2) An old mahogany glass wall case was cut down to 7 1/2 to create a semi-rigid prescription partition and also to provide space for a prescription accessory display.
 - 3) Two new cases were added, one on each side, for displaying vitamin and diabetic supplies.
 - 4) An old 12-foot "wall case" counter was converted into a modern "sales" providing counter by building a completely new step display section over the old frame work.
 - 5) Open display areas in the front and on the side were also provided. Old fixtures were fixed to partitions.

6) d) (continued)

- 6) Several wall fixtures received new blond oak pilasters, and faces of all drawers exposed to the customers' view were similarly treated. Chartreuse paint on the interior of all fixtures provided an attractive background for the blond oak facings.
- 7) Fluorescent cove lighting was provided to provide warmly diffused light for the merchandise displayed on the shelves below.
- 8) New glass showcases with storage drawers were set out along with tables, and gondolas - all of them on casters - to demonstrate the flexibility of modern open display arrangement. Students move them about from place to place in studying the principles of display merchandising.

7) Conclusion -

The total effect provides a sound object lesson to the student (as it may to the pharmacist) in the flexibility of planned modernization. It gives him direct experience in dealing with the many specific changes that can be made to meet individual remodeling needs.

(continued) (b) (3)

d) Several wall fixtures received new blood and plasma, and
lamps of all types exposed to the maximum view were
mainly tested. Specimens kept on the interior of all
fixtures provided an attractive background for the blood
and plasma.

f) Fluorescent cover lighting was provided to provide mainly
diffused light for the specimens displayed on the shelves
below.

g) Low glass shelves with storage drawers were set out along
with tables, and benches - all at times on casters - to
demonstrate the flexibility of modern even display arrange-
ment. Students were then shown how to place in
storing the principles of display merchandising.

h) Conclusion -

The total effect provides a round object lesson to the student
(as it was to the merchant) in the flexibility of planned material-
ization. It gives the direct experience in dealing with the many
specific changes that can be made to meet individual retailing needs.

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"Drug Store Training Program Releases First Two Films." Reprint from Drug Topics, Pharmacy & Science, March 27, 1950.

"Window and Interior Display," The City College, New York City

"Promotion to the Professions," The City College, New York City

"We Teach Store Modernization," reprint from American Druggist, June, 1950.

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June, 1950.

FEDERAL LAWS RELATING TO THE PHARMACY AND CHEMISTS

Food, Drug and Cosmetic Act and Regulations
National State Boards of Pharmacy
Federal Food, Drug and Cosmetic Act (The Federal Act) and Regulations
Federal Food, Drug and Cosmetic Act (The Federal Act) and Regulations
Federal Food, Drug and Cosmetic Act (The Federal Act) and Regulations
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Federal Food, Drug and Cosmetic Act (The Federal Act) and Regulations

PHARMACY LAWS

FEDERAL

Dr. Hugo H. Schaefer
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PHARMACY LAW

JANUARY

Dr. Hugo H. Schneider
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FEDERAL LAWS DEALING WITH DRUGS AND COSMETICS

Food, Drug and Cosmetic Act and Regulations

Uniform State Narcotic Act

Viruses, Serums, Toxins Law (For Human Use) and Regulations

Viruses, Serums, Toxins Law (For Animal Use) and Regulations

Insecticide, Fungicide and Rodenticide Act and Regulations

Caustic Poison Act and Regulations

Federal Trade Commission Act

RELATIONSHIP BETWEEN THE STATE AND THE INDIVIDUAL

Food, Drug and Cosmetic Act and Regulations

Uniform State Narcotics Act

Warren, Bureau, Toxic Law (For Human Use) and Regulations

Warren, Bureau, Toxic Law (For Animal Use) and Regulations

International, Pharmacological and Toxicological Act and Regulations

Quarantine Toxic Law and Regulations

National Trade Commission Act

FEDERAL FOOD, DRUG AND COSMETIC ACT

For this presentation the provisions regulating foods other than those for special dietary uses will not be discussed.

The Act was passed by Congress in June 1938 and most of its provisions became effective on June 30, 1939. It superceded the so-called Wiley Food and Drug Act of 1906.

Congress does not have power to legislate directly on matters affecting drugs and cosmetics and therefore does so by regulating the quality and the labeling of products entering into interstate commerce. The government bulletin defines the law as "An Act to Prohibit the Movement in Interstate Commerce of Adulterated and Misbranded Food, Drugs, Devices and Cosmetics, and for Other Purposes".

The provisions of the law may be summarized as follows:-

Chapter I gives recognition to the short title commonly used i.e., The Federal Food, Drug, and Cosmetic Act.

Chapter II, Sec. 201 Definitions of terms used in the law including:-

- (a) Territory
- (b) Interstate Commerce
- (c) Agency
- (d) Administration
- (e) Person
- (f) Food
- (g) Drug
- (h) Device
- (i) Cosmetic
- (j) Official compendium
- (k) Label
- (l) Immediate Container
- (m) Labeling
- (n) Misbranding may be due to the failure of label to reveal material facts as to the consequences which may result from the use of the article.
- (o) Interpretation of meaning of word "antiseptic"
- (p) New drug

Chapter III, Sec. 201 Prohibited Acts. They include:-

- (a) The introduction into interstate commerce of adulterated or misbranded drugs.
- (b) The adulteration or misbranding of products while in interstate commerce.
- (c) The receipt or the delivery of adulterated or misbranded drugs and cosmetics.
- (d) The introduction into interstate commerce of drugs in violation of the "new drug" provisions of the law.
- (e) The refusal to permit access or copying of certain records as provided by the law.
- (f) The refusal to permit entry or inspection as authorized by the law.
- (g) To manufacture adulterated or misbranded drugs within any Territory of the United States.

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The Act was passed by Congress in June 1938 and most of its provisions became effective on June 30, 1939. It superseded the so-called Wiley Food and Drug Act of 1906.

Congress does not have power to legislate directly on matters affecting drugs and cosmetics and therefore does so by regulating the quality and the labeling of products entering into interstate commerce. The Government maintains the law as "an Act to prohibit the movement in interstate commerce of adulterated and misbranded food, drugs, devices and cosmetics, and for other purposes".

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- (b) The adulteration or misbranding of products while in interstate commerce.
- (c) The receipt or the delivery of adulterated or misbranded drugs and cosmetics.
- (d) The introduction into interstate commerce of drugs in violation of the "new drug" provisions of the law.
- (e) The refusal to permit access or copying of certain records as provided by the law.
- (f) The refusal to permit entry or inspection as authorized by the law.
- (g) To manufacture, advertise or misbrand drugs within the Territory of the United States.

- (h) The giving of a false guarantee.
- (i) The forging or counterfeiting or simulating of labels.
- (j) The improper use of information, processes or trade secrets obtained by persons concerned with the enforcement of the law.
- (k) The alteration or mutilation of labeling whereby products after introduction into interstate commerce become adulterated or misbranded.
- (l) The using on labeling or advertising of any suggestion that the product complies with the "new drug" provisions of the law.

Sec. 302 deals with the power given certain courts to issue injunction under certain conditions.

Sec. 303 lists the penalties which may result from violations. First offense, fine of \$1,000, imprisonment for one year or both. Subsequent violations and all violations with intent to defraud or mislead \$10,000, three years imprisonment or both. This section also includes the important provisions which exempt from penalties persons who receive drugs or medicines under a legal "guarantee".

Sec. 304 Outlines the conditions under which seizures and condemnations of illegal products may be made.

Sec. 305 provides that alleged violators of the law have the opportunity of a hearing to present their views before criminal proceedings are instituted.

Sec. 306 provides that the Administration need not recommend prosecution in the case of minor violations.

Sec. 307 provides that proceedings may only be brought in the name of the United States and for subpoenas for witnesses.

Chapter IV, Sec. 401 - 406 deals with Foods and with the exception of Sec. 403 (j) will not be discussed.

Sec. 403 (j) deals with the labeling of products intended for special dietary uses including preparations containing vitamins and minerals.

Chapter V, Sec. 501 Adulterated drugs and devices.

- (a) (1-4) deals with drugs consisting or containing filthy decomposed or poisonous substances, packed or held under insanitary conditions or containing non-certified coal-tar dyes.
- (b) Provides safe-guards against the shipment of drugs under official names and which differ from the standards. This paragraph also includes the conditions under which the Administration may make its own standards of strength, quality and purity and tests and assays when in their opinion those of the official compendia are unsatisfactory. The so-called "deviation clause" is also in this paragraph.

Sec. 502 Misbranded Drugs and Devices.

- (a) A general statement that "a drug or device shall be deemed to be misbranded (a) If its labeling is false or misleading in any

- (h) The giving of a false statement.
- (i) The forging or counterfeiting or alteration of labels.
- (j) The tapping use of information, processes or trade secrets obtained by persons associated with the enforcement of the law.
- (k) The alteration or mutilation of labeling whereby products are introduced into interstate commerce become subject to misbranding.
- (l) The using on labeling of advertising of any suggestion that the product complies with the "new drug" provisions of the law.

Sec. 302 deals with the power given certain courts to issue injunctions under certain conditions.

Sec. 303 lists the penalties which may result from violations. First offense, fine of \$1,000, imprisonment for one year or both. Subsequent violations and all violations with intent to defraud or mislead \$50,000, three years imprisonment or both. This section also includes the important provisions which exempt from penalties persons who receive drugs or devices under a legal "prescription".

Sec. 304 outlines the conditions under which seizures and condemnations of illegal products may be made.

Sec. 305 provides that alleged violators of the law have the opportunity of a hearing to present their views before official proceedings are instituted.

Sec. 306 provides that the Administration need not prosecute prosecution in the case of minor violations.

Sec. 307 provides that proceedings may only be brought in the name of the United States and for witnesses for witnesses.

Chapter IV. Sec. 401 - 406 Deals with foods and with the exception of Sec. 403 (j) will not be discussed.

Sec. 403 (j) deals with the labeling of products intended for special dietary uses including preparations containing vitamins and minerals.

Chapter V. Sec. 501 Administrative rules and devices.

- (a) (1-4) deals with drugs consisting or containing fifty components or chemical substances, packed or held under inventory conditions or containing non-certified container types.
- (b) provides safeguards against the shipment of drugs under official names and which differ from the standards. This paragraph also includes the conditions under which the Administration may make its own standards of strength, quality and purity and tests and assays when in their opinion those of the official compendia are unsatisfactory. The so-called "deviation clause" is also in this paragraph.

Sec. 502 establishes rules and devices.

- (a) A general statement that "a drug or device shall be deemed to be misbranded (a) if its labeling is false or misleading in any

particular". The regulations applying to this broad statement provide that the labeling of a drug or device is misbranded if it bears false statements with respect to another drug or device. Another important regulation provides that a preparation containing several ingredients may not be given a name which includes or suggests the name of only one of such ingredients.

- (b) Provides that the label of a drug must give the name and address of manufacturer, and the quantity of contents. Lengthy regulations make provisions for the form in which such information must be given.
- (c) This paragraph along with its regulations is intended to insure a proper degree of conspicuousness for all required label information. It also includes provisions under which representations may be made in a foreign language.
- (d) This paragraph lists the habit forming drugs for which a quantitative statement must appear on a label along with the expression, "Warning - May be habit forming". Regulations provide where, how and when such statements must appear on the label of a drug.
- (e) This paragraph makes provisions for listing the ingredients on the labels of non-official drug products. It also gives the names of those ingredients which must be listed by quantity. The regulations under this paragraph state in considerable detail how such ingredients must be listed.
- (f) Provides that labels must bear adequate directions and adequate warnings against unsafe dosage or possible harmful effects. The Administrator is specifically empowered to promulgate regulations exempting drugs from the requirement of bearing adequate directions provided this is not necessary for the protection of public health. It is under these regulations that certain drugs are sold under the prescription legend and do not bear the usual directions for use. The regulations under this paragraph give the conditions under which such prescription legend must be used.
- (g) This paragraph provides that official drugs must be packaged in accordance with any official packaging requirements.
- (h) This paragraph provides that drugs liable to deterioration must be packaged and labeled with precautions as may be determined by the Administrator. For official drugs such requirements can only be made after the matter has been brought to the attention of those in charge of the official compendium and after they have failed to provide requirements within a reasonable time.
- (i) Provides that a slack-filled container, an imitation of another drug and a drug sold under the name of another drug shall be deemed to be misbranded.
- (j) This paragraph states that a drug is misbranded if it is dangerous to health when used in accordance with the directions in the labeling.
- (k) This paragraph provides that a drug purporting to be or to contain insulin is misbranded unless the insulin has been certified.
- (l) This paragraph makes similar provisions for the antibiotic drugs unless specifically exempted.

Sec. 503. - Exemptions

- (a) This paragraph and its regulations provide for exemptions from certain of the labeling provisions when drugs in accordance with the practice of the trade are shipped from one establishment to another for purposes of labeling or repackaging.

particulars. The regulations applying to this broad statement provide that the labeling of a drug or device is also required if it bears false statements with respect to another drug or device. Another important regulation provides that a preparation consisting of several ingredients may not be given a name which includes or suggests the name of only one of such ingredients.

(b) Provide that the label of a drug must give the name and address of manufacturer, and the quantity of contents. Legally regulations make provisions for the form in which such information must be given.

(c) This paragraph along with the regulations in item 1 to insure a proper degree of conspicuousness for all required label information. It also includes a provision under which requirements may be made in a foreign language.

(d) This paragraph states the label-forming range for which a particular statement must appear on a label along with the explanation, "Warning - may be habit forming." Regulations provide that, how and when such statements must appear on the label of a drug.

(e) This paragraph makes provisions for listing the ingredients on the label of non-official drug products. It also gives the names of those ingredients which must be listed by quantity. The regulations under this paragraph state in considerable detail how such ingredients must be listed.

(f) Provides that labels must bear adequate directions and adequate warnings against unsafe dosage or possible harmful effects. The Administrator is specifically empowered to prescribe regulations exempting drugs from the requirement of bearing adequate directions provided this is not necessary for the protection of public health. It is under these regulations that certain drugs are sold under the prescription label and do not bear the usual directions for use. The regulations under this paragraph give the conditions under which such prescription labels must be used.

(g) This paragraph provides that official drugs must be packaged in accordance with any official packaging requirements.

(h) This paragraph provides that drugs liable to deterioration must be packaged and labeled with provisions as may be required by the Administrator. For official drugs such requirements are only to be made after the matter has been brought to the attention of those in charge of the official compendia and after they have failed to provide regulations within reasonable time.

(i) Provides that a stock-filled container, an imitation of another drug and a drug sold under the name of another drug shall be deemed to be misbranded.

(j) This paragraph states that a drug is misbranded if it is false or health when used in accordance with the directions in the labeling.

(k) This paragraph provides that a drug purporting to be or to contain insulin is misbranded unless the label has been certified.

(l) This paragraph makes similar provisions for the misbranding of drugs unless specifically exempted.

Sec. 305 - Exemptions

(a) This paragraph and the regulations provide for exemption from certain of the labeling requirements when there is no substantial risk to the public of the truth or safety of the labeling or of the drug for purposes of labeling or repackaging.

- (b) This paragraph makes provisions for exemptions from certain of the label requirements in the case of drugs dispensed on the prescription of a medical practitioner. Here we have the much debated matter of prescription refills. This is the only paragraph in the entire law in which the word "refilling" is mentioned.
- Sec. 504. This section authorizes the Administrator to promulgate regulations for the certification of coal-tar colors.
- Sec. 505 (a). This paragraph provides that no "new drug" may be shipped in interstate commerce unless an application for it has become effective.
- Sec. 505 (b - i). These paragraphs deal with the procedure to be used for filing new drug applications. Regulations make exemptions under certain conditions for drugs intended purely for investigational use.
- Sec. 506 (a - c). This section gives the details of the procedure for certifying insulin.
- Sec. 507 (a - f). This section gives the details of the procedure for certifying the antibiotics.

Chapter VI - Cosmetics

Adulterated Cosmetics

Sec. 601.

- (a) States that a cosmetic shall be deemed to be adulterated if it contains any ingredient which may render it injurious to the user. An exception is made for coal-tar hair dyes provided their label bears a stated "caution" along with adequate directions for making a preliminary test to determine sensitivity.
- (b) Provides that a cosmetic is deemed adulterated if it consists in whole or in part of a filthy, putrid or decomposed substance.
- (c) A cosmetic is adulterated if it is packed or held under insanitary conditions.
- (d) Provides against the use of a container composed of a poisonous or deleterious substance.
- (e) A cosmetic other than a hair dye is adulterated if it contains a non-certified coal-tar color.

Sec. 602. Misbranded Cosmetics.

- (a) States that a cosmetic be deemed misbranded if its labeling is false or misleading in any particular. A regulation under this paragraph provides that the labeling of a cosmetic is misleading if it bears false statements with respect to another cosmetic, food, drug or device. Another regulation provides that a cosmetic containing several ingredients may not be given a name which includes or suggests the name of only one such ingredient.
- (b) Requires that the label of cosmetics give the name and place of business of the manufacturer, packer or distributor, and a statement of the quantity of contents. Lengthy regulations under this paragraph describe in detail how these statements should appear.
- (c) This paragraph and the related regulations provide for the necessary degree of conspicuousness which must be given to required label statements.

(b) This paragraph makes provision for exemption from certain of the label requirements in the case of drugs dispensed in the pre-shipment of a medical practitioner. There is no such exemption in the case of pre-shipment retail. This is the only paragraph in the entire law in which the word "retail" is mentioned.

Sec. 505. This section authorizes the Administrator to promulgate regulations for the certification of over-the-counter drugs.

Sec. 505 (a). This paragraph provides that no "new drug" may be shipped in interstate commerce unless an application for it has become effective.

Sec. 505 (b - i). These paragraphs deal with the procedure to be followed for filing new drug applications. Regulations make exceptions under certain conditions for drugs intended purely for investigational use.

Sec. 505 (a - c). This section gives the details of the procedure for certifying new drugs.

Sec. 507 (a - f). This section gives the details of the procedure for certifying new combinations.

Chapter VI - Composites

Abstracted Composites

Sec. 501.

- (a) States that a composite shall be deemed to be abstracted if it contains any information which may cause it to be regarded as a new drug. An exception is made for composite preparations for which there is a "grandfather clause" which with respect to provisions for filing a preliminary application to determine abstractness.
- (b) Provides that a composite is deemed to be abstracted if it contains in whole or in part a listing, print or picture of a substance which is abstracted if it is shown by data to be abstractly identical.
- (c) Provides against the use of a composite except of a substance or substances which are identical to the substance or substances which are abstracted if it contains a non-certified over-the-counter drug.

Sec. 502. Abstracted Composites

- (a) States that a composite be deemed abstracted if its labeling is false or misleading in any particular. A regulation under this paragraph provides that the labeling of a composite is misleading if it does not state clearly with respect to another composite, food, drug or device, whether it is identical to that composite or whether it is a variation thereof. It is not sufficient to state that it is a variation of a composite.
- (b) Requires that the label of a composite give the name and place of origin of the component, product or distributor, and a statement of the quantity of contents. Legible regulations under this paragraph require that the label give the name and place of origin of the component, product or distributor, and a statement of the quantity of contents.

- (d) Provides against slack-filled containers.

Sec. 603. - Exemptions.

This section directs the Administrator to promulgate exemptions from labeling requirements in instances where cosmetics in accordance with the practice of the trade are shipped from one establishment to another for purposes of labeling or repacking.

Sec. 604. Provides for the certification of coal-tar colors for use in cosmetics.

Chapter VII - General Administrative Provisions.

- (a) The power to promulgate regulations, except as otherwise provided in this section, is vested in the Administrator.
- (b) The Secretary of the Treasury along with the Administrator shall prescribe regulations for section 801 (dealing with imports).
- (c) Authorized hearings shall be conducted by the Administrator or such employee as he may designate.
- (d) Provides that the definitions and standards of this Act shall be effective for the purposes of the enforcement of this Act notwithstanding definitions and standards of other Federal laws.
- (e) Provides for mandatory public hearings upon any proposal to issue, amend or repeal regulations under certain paragraphs of the Act. A detailed procedure is outlined for issuing notice and for holding such hearings.
- (f) (1 - 6) Provides the details of legal redress given in cases of controversy concerning the provisions of paragraph (e).
- (g) Requires that the Administrator furnish transcripts of hearings to any interested party and make such transcripts admissible in court proceedings.

Sec. 702. Examinations and Investigations.

- (a) Authorizes the Administrator to conduct examinations and investigations through any employee of a State, Territory or political subdivision thereof.
- (b) Provides with certain exceptions that portions of samples taken under the Act be made available to the parties concerned. Lengthy regulations deal with such matters as costly samples, perishable samples, size of samples, samples for analysis, for organoleptic examination and provisions for the eventual destruction of samples.
- (c) This section empowers the Administrator to have access to the records of any department in the executive branch of the government.

Sec. 702. This deals with sea-food inspections.

Sec. 703. Records of Interstate Shipment.

This section is of great importance since violations of the Act result from interstate shipment of illegal products. It provides that carriers engaged in interstate commerce and persons receiving any food, drug, device or cosmetic shall make available to the Administrator or his representatives all records pertaining thereto. Evidence so obtained cannot, however, be used in any criminal prosecution against the person from whom obtained.

(2) provides against such-filled conditions.

Sec. 602 - Exemptions.

This section directs the Administrator to promulgate exemptions from filing requirements in instances where compliance in accordance with the purpose of the rules and shipped from one establishment to another for purposes of labeling or repacking.

Sec. 603 - Provides for the certification of seal-lab colors for use in containers.

Chapter VII - General Administrative Provisions.

- (a) The power to promulgate regulations, except as otherwise provided in this section, is vested in the Administrator.
- (b) The Secretary of the Treasury shall have the Administrator shall promulgate regulations for section 301 (labeling with respect to).
- (c) Authorized hearings shall be conducted by the Administrator or such employee as he may deem proper.
- (d) The Administrator shall have the Administrator and members of this shall be effective for the purposes of the enforcement of this act notwithstanding the provisions of other Federal laws.
- (e) The Administrator shall have the Administrator upon any proposal to issue, amend or repeal regulations under certain provisions of the act. A hearing shall first be held in order for hearing notice and for holding such hearings.
- (f) (1) - (2) Provides the details of legal notices given in case of controversy concerning the provisions of this act.
- (g) Provides that the Administrator shall furnish transcripts of hearings to any interested party and take such transcripts shall be in court proceedings.

Sec. 702 - Examinations and investigations.

- (a) Authorizes the Administrator to conduct examinations and investigations through any employee of a State, Territory or political subdivision thereof.
- (b) Provides with certain exceptions that portions of samples taken under this act shall be available to the public concerned. Anyly regulations shall be made with such matters as comply with the principles of public health and safety for analysis for organic and inorganic substances and provisions for the eventual destruction of samples.
- (c) This section contains the Administrator to have access to the records of any department in the executive branch of the Government.

Sec. 703 - This title with respect to regulations.

Sec. 704 - Powers of inspection.

This section is of great importance since violations of the act result from inspection samples of illegal products. It provides that persons engaged in interstate commerce and persons receiving any food, drug, device or cosmetic shall be available to the Administrator or his representatives if records pertaining thereto, evidence so obtained, however, be used in any criminal prosecution against the person from whom obtained.

Sec. 704. Factory Inspection.

This section authorizes representatives of the Administrator to enter any factory, warehouse or establishment which deals in foods, drugs, devices or cosmetics or any vehicle used to transport such products in interstate commerce and to make inspections of equipment, materials, containers and all labeling. Such action can only, however, be taken with the permission of the owner, operator or custodian of such place or such vehicle.

Sec. 705. Publicity.

- (a) Directs the Administrator to publish reports summarizing all judgments.
- (b) Authorizes the Administrator to disseminate information regarding situations involving imminent danger to health or gross deception of the consumer.

Chapter VIII - Imports and Exports.

Sec. 801.

- (a) This paragraph provides that the Secretary of the Treasury shall deliver to the Federal Security Administrator, upon his request, samples of food, drugs, devices and cosmetics which are being imported. If on examination it appears that such articles have been manufactured or packed under insanitary conditions, or are forbidden or restricted in sale in the country of origin, or are misbranded or in violation of section 505 dealing with new drugs, then they shall be refused admission to the U.S.
- (b) Provides that the Secretary of the Treasury shall refuse delivery to the consignee of articles found at fault and cause their destruction unless they are exported within three months. Under certain conditions articles may, upon the execution of a bond, be delivered to the consignee pending final examination and decision.
- (c) This section states that charges for storage, cartage and labor on any article refused admission shall be paid by the owner or consignee.
- (d) This section deals with products intended for export. It provides that a food, drug, device or cosmetic may be exported if it is in accord with the specifications of the foreign purchaser and if it is not in conflict with the laws of the country for which it is intended and if the outside of the shipping package is so labeled as to show that it is intended for export.

Chapter IX - Miscellaneous

Sec. 901. This section provides the usual separability clause.

Sec. 902. This section gives the effective dates of various portions of the Act and the dates of repeal of corresponding former laws.

Sec. 706. Factory Inspection.

This section authorizes representatives of the Administrator to enter any factory, warehouse or establishment which deals in foods, drugs, liquids or cosmetics or any vehicle used to transport such products in interstate commerce and to make inspections of equipment, materials, containers and all labeling. Such action can only, however, be taken with the permission of the owner, operator or custodian of such place or such vehicle.

Sec. 707. Publicity.

- (a) Directs the Administrator to publish reports summarizing all judgments.
- (b) Authorizes the Administrator to disseminate information regarding situations involving imminent danger to health or gross deception of the consumer.

Chapter VIII - Imports and Exports

Sec. 801.

- (a) This paragraph provides that the Secretary of the Treasury shall deliver to the Federal Security Administrator, upon his request, a list of food, drugs, liquids and cosmetics which are being imported. If an examination is required, it appears that such articles have been manufactured or packed under insanitary conditions, or are for sale or intended for sale in the country of origin, or are mislabeled or in violation of section 702 relating to labeling of drugs, then they shall be refused admission to the United States.
- (b) Provides that the Secretary of the Treasury shall not deliver to the Administrator of Customs a list of food and drugs which are imported unless they are reported within three months. Such entries shall be subject to examination and decision of the Administrator.
- (c) This section states that charges for storage, cartage and labor on any article refused admission shall be paid by the owner or consignee.
- (d) This section deals with products intended for export. It provides that a food, drug, device or cosmetic may be exported if it is in accord with the specifications of the foreign purchaser and if it is not in conflict with the laws of the country for which it is intended and if the outside of the shipping package is so labeled as to show that it is intended for export.

Chapter IX - Miscellaneous

- Sec. 901. This section provides the usual separability clause.
- Sec. 902. This section gives the effective dates of various sections of the Act and the date of repeal of corresponding former laws.

Information which must
appear on drugs suitable
for counter sale.

ON LABEL

Quantity of contents
Name of preparation

List of active ingredients unless preparation is
sold under an official name

Note - Ingredients listed in Sec. 502 (e) be
given by quantity. Ingredients listed
in Sec. 502 (d) must be listed by
quantity followed by statement "warning-
May be habit forming."

Firm name and address

IN LABELING

Adequate directions for use
including indications
Warnings or cautions if
any are necessary

Information on which most
depend on drug's safety
for consumer safety

ON FILE

Quantity of contents
Name of preparation

List of active ingredients whose preparation is

Sold under an official name

Note - Ingredients listed in Sec. 302 (e) be
given by quantity; Ingredients listed
in Sec. 302 (f) must be listed by
quantity followed by statement "weight-
age by weight formula."

Full name and address

IN FILE

Adverse reactions for use

Including instructions

Written or printed in

any are necessary

Information which must
appear on drugs intended
for prescription use.

ON LABEL

Quantity of Contents

Name of preparation

Quantitative statement of all active ingredients

If listed in Sec. 502 (d) must be
followed by statement "Warning -
May be habit forming".

Statement - Caution: To be dispensed only
by or on the prescription of a physician.

Firm name and address

IN LABELING

Warnings or cautions if any are necessary

Note: - No indications or directions may appear in the labeling of prescription
drugs other than the prescription legend.

Information which must
appear on drugs intended
for prescription use.

II. LABEL

Quantity of contents
Name of preparation
Qualitative statement of all active ingredients
If listed in Sec. 305 (d) must be
followed by statement "Warning -
may be habit forming."
Statement - Caution: To be dispensed only
by or on the prescription of a physician.
First name and address

III. WARNING

Warnings or cautions if any are necessary.

Note - No instructions or directions may appear in the labeling of preparation
other than the prescription legend.

Uniform Narcotic Drug Act

Sec. 1 Definitions

- (1) Person
- (2) Physician
- (3) Dentist
- (4) Veterinarian
- (5) Manufacturer
- (6) Wholesaler
- (7) Apothecary
- (8) Hospital
- (9) Laboratory
- (10) Sale
- (11) Coca leaves
- (12) Opium
- (13) Narcotic drugs
- (14) Federal Narcotic Laws
- (15) Official written order
- (16) Dispense
- (17) Registry number

Sec. 2. Prohibited Acts

It is unlawful for any person to manufacture, possess, sell or administer a narcotic drug, except as authorized by this Act.

Sec. 3. Manufacturers and Wholesalers

No person shall manufacture, compound, or grow and no wholesaler shall supply narcotic drugs without having first obtained a license from _____ (Insert state officer or board).

Sec. 4. Qualifications for Licenses

No license shall be issued unless the applicant is:

- (a) Of good moral character
- (b) Equipped to carry on the business described in application.

Note:- No license shall be granted to anyone convicted of a narcotic violation within 5 years or to a narcotic drug addict.

Sec. 5. Sale on Written Orders

- (1) A licensed manufacturer or wholesaler may sell on official written orders to:
 - (a) A manufacturer, wholesaler or apothecary.
 - (b) A physician, dentist or veterinarian.
 - (c) To a person in charge of a hospital for use in same.
 - (d) To a person in charge of a laboratory for use in same.
- (2) A licensed manufacturer or wholesaler may sell to:
 - (a) A Federal, State or municipal employee who may receive or dispense narcotic drugs as part of his official duties. Such sale to be on a special written order accompanied by a certificate of exemption.

Sec. 1 Definitions

- (1) Person
- (2) Physician
- (3) Dentist
- (4) Veterinarian
- (5) Manufacturer
- (6) Wholesaler
- (7) Apothecary
- (8) Hospital
- (9) Laboratory
- (10) Sale
- (11) Gross leaves
- (12) Opium
- (13) Narcotic drugs
- (14) Federal Narcotic laws
- (15) Official written order
- (16) Dispense
- (17) Narcotic number

Sec. 2 Prohibited Acts

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No person shall manufacture, compound, or grow and no wholesaler shall supply narcotic drugs without having first obtained a license from _____ (insert state officer or board).

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 (a) of good moral character
 (b) qualified to carry on the business described in application.
 Note: No license shall be granted to anyone convicted of a narcotic violation within 5 years or to a narcotic drug addict.

Sec. 5 Sale on Written Orders

- (1) A licensed manufacturer or wholesaler may sell on official written orders for:
 (a) A manufacturer, wholesaler or apothecary.
 (b) A physician, dentist or veterinarian.
 (c) To a person in charge of a hospital for use in same.
 (d) To a person in charge of a laboratory for use in same.
- (2) A licensed manufacturer or wholesaler may sell to:
 (a) A Federal, State or municipal employee who may receive or dispense narcotic drugs as part of his official duties. Such sale to be on a special written order accompanied by a certificate of exemption.

- (b) To the master of a ship or a person in charge of an aircraft upon which there is no physician and for the medical needs of the persons on such carrier and provided the sale is made on submission of a special order form.
- (c) To a person in a foreign country in accordance with the Federal Narcotic Laws.
- (3) Use of Official Written Orders.
Order forms must be signed in duplicate. One must be kept by the purchaser and the other by the seller for a period of at least two years.
- (4) Possession Lawful.
Possession of narcotics obtained as authorized by Act is lawful if in ordinary course of business or profession.
- (5) A person in charge of a hospital, laboratory, of a ship or aircraft, or a public employee who obtains narcotics as provided in this Act, shall not use such narcotic except within the scope of his official duties and only for scientific or medical purposes.

Sec. 6. Sales by Apothecaries.

- (1) An apothecary, in good faith, may sell or dispense narcotic drugs on a prescription provided prescription is:

Dated and signed by prescriber
Bears name and address of patient or of the owner of animal
Name and address and registry number of prescriber
Species of animal if for animal

The dispenser must write the date of filling and his name on prescription and keep it available for two years. The prescription cannot be refilled.

- (2) The owner of a discontinued pharmacy may sell stock of narcotics on an official written order to a manufacturer, wholesaler or apothecary.
- (3) An apothecary may sell to a practitioner on written order, quantities not exceeding one ounce aqueous or oil solutions of narcotics not exceeding 20% in strength.

Sec. 7. Professional Use of Narcotic Drugs.

- (1) A physician or dentist may prescribe, administer or dispense narcotic drugs or cause a nurse or interne to do so under his direction.
- (2) A veterinarian may prescribe, administer or dispense narcotic drugs for use by animals or cause an assistant or orderly to do so under his direction.
- (3) Any person who has obtained narcotic drugs for administration to a patient from a physician, dentist or veterinarian during their absence shall return any excess not required by the patient.

(b) To the master of a ship or a person in charge of an aircraft upon which there is no physician and for the medical needs of the persons on such carrier and provided the sale is made on submission of a special order form.

(c) To a person in a foreign country in accordance with the Federal Narcotic Laws.

(3) Use of Official Written Orders. Order forms must be signed in duplicate. One must be kept by the pharmacist and the other by the seller for a period of at least two years.

(4) Submission Inadvisable. Submission of narcotic orders as authorized by Act is inadvisable in ordinary course of business or profession.

(5) A person in charge of a hospital, laboratory, pharmacy, or a clinic, or a public employee who obtains narcotics as provided in this Act shall not use such narcotics except within the scope of his official duties and only for scientific or medical purposes.

Sec. 5. Rules by Commissioner.

(1) In accordance with good faith, may call or dispense narcotic drugs on a prescription provided prescription is:

Dated and signed by prescriber
 Name and address of patient or of the owner of animal
 Name and address and registry number of prescriber
 Species of animal if for animal

The dispenser must write the date of filling and his name on prescription and keep it available for two years. The prescription cannot be refilled.

(2) The owner of a discontinued pharmacy may sell stock of narcotics to an official written order to a pharmacist, wholesaler or apothecary.

(3) An apothecary may sell to a practitioner on written order, quantities not exceeding one ounce apiece or six solutions of solution not exceeding 30 cc in strength.

Sec. 6. Professional Use of Narcotic Drugs.

(1) A physician or dentist may prescribe, administer or dispense narcotic drugs or cause a nurse or intern to do so under his direction.

(2) A veterinarian may prescribe, administer or dispense narcotic drugs for use by animals or cause an assistant or nurse to do so under his direction.

(3) Any person who has obtained narcotic drugs for administration to a patient from a physician, dentist or veterinarian during their lifetime shall return any excess not required by the patient.

Sec. 8 Exempted Preparations.

Except as otherwise provided the Act does not apply to:

- (1) Prescribing, administering, dispensing or selling at retail any preparation that contains in one fluid or avoirdupois ounce (a) not more than 2 grains opium (b) not more than $1/4$ grain of morphine or its salts (c) not more than 1 grain of codeine or its salts, (d) not more than $1/8$ grain heroin or its salts (e) not more than one of the drugs named in (a) (b) (c) (d).
- (2) External preparations of such a nature that the narcotic drug cannot be readily extracted but not including preparations of any kind that contain coca leaves.

The above exemptions are subject to the following conditions:

- (a) The exempt narcotic shall not provide the person receiving it with more than 4 gr. opium, $\frac{1}{2}$ gr. morphine, 2 grains of codeine or $1/4$ gr. heroin nor more than one such drug in 48 consecutive hours.
- (b) The external preparations referred to must contain in addition to the narcotic drug some other active ingredient.

Sec. 9. Records to be Kept.

- (1) Physicians, dentists and veterinarians must keep record of narcotics received and dispensed. In cases of small quantities of preparations used for local application only a record of date made or purchased, quantity and strength need be recorded.
No record need be kept of any narcotic when the amount administered or dispensed does not exceed in any 48 hours period (a) four grains of opium (b) $\frac{1}{2}$ grain of morphine (c) 2 grains of codeine (d) $1/4$ grain heroin (e) a quantity of any other narcotic drug or mixture of such drugs that does not exceed in pharmacologic potency any one of the above.
- (2) Manufacturers and Wholesalers.
Must keep records in accordance with section 5.
- (3) Apothecaries.
Must keep records as provided in section 5.
- (4) Vendors of Exempted Preparations.
Must keep record of quantities purchased and sold in accordance with section 5.
- (5) Form and Preservation of Records.
The record of narcotic drugs received shall show date of receipt, name and address of person from whom received, kind and quantity of drug received, kind and quantity of drug manufactured.
The record of narcotic drugs sold or dispensed must show date of selling or administering together with species of animal, if for animal use, and the kind and quantity of drug.

Sec. 10. Labels.

- (1) A manufacturer or wholesaler must affix a label to each package of a narcotic drug giving his name and address, quantity, kind and form of drug.

Except as otherwise provided this act does not apply to:

- (1) Preparation, manufacture, dispensing or selling at retail any preparation that contains in one fluid or overdosage dose (a) not more than 2 grains opium (b) not more than 1/4 grain of morphine or its salts (c) not more than 1 grain of cocaine or its salts, (d) not more than 1/8 grain heroin or its salts (e) not more than one of the drugs named in (a) (b) (c) (d).

- (2) External preparations of such a nature that the narcotic drug cannot be readily extracted but not including preparations of any kind that contain such poisons.

The above exceptions are subject to the following conditions:

- (a) The exempt narcotic shall not be given to the person receiving it with more than 1 gr. opium, 1/2 gr. morphine, 2 grains of cocaine or 1/4 gr. heroin not more than one such drug in its connection with any other narcotic preparation referred to in this section, as added to the narcotic drug upon other active ingredients.

Sec. 9. Records to be kept.

- (1) Physicians, dentists and veterinarians must keep record of narcotic received and dispensed. In case of small quantities of preparation used for local application only a record of date made or purchased, quantity and strength need be recorded. No record need be kept of any narcotic when the amount administered or dispensed does not exceed in any 24 hours period (a) 1/2 grain of opium (b) 1/4 grain of morphine (c) 2 grains of cocaine (d) 1/4 grain heroin (e) a quantity of any other narcotic drug or mixture of such drugs that does not exceed in pharmacologic potency any one of the above.

- (2) Manufacturers and wholesalers must keep records in accordance with section 5.

- (3) Apothecaries must keep records as provided in section 5.

- (4) Vendors of exempt preparations must keep record of quantities purchased and sold in accordance with section 5.

- (5) Form and preservation of Records. The record of narcotic drugs received shall show date of receipt, name and address of person from whom received, kind and quantity of drug received, kind and quantity of drug administered. The record of narcotic drugs sold or dispensed must show date of selling or administering together with names of patient, full name, address, age, sex, kind and quantity of drug.

Sec. 10. Labels.

- (1) A manufacturer or wholesaler must affix a label to each package of narcotic drug giving its name and address, quantity, kind and form of drug.

- (2) An apothecary filling prescriptions must affix a label giving his name, address and registry number, name and address of patient or if an animal, the species of animal and its owners name and address as well as the name, address and registry number of the prescriber, along with such directions as stated on the prescription.

Sec. 11. Authorized Possession of Narcotic Drugs by Individuals.

Persons may legally possess narcotic drugs in the original container if received on prescription.

Sec. 12. Persons and Corporations Exempted.

The provisions of Act restricting the possession of narcotic drugs does not apply to common carriers or warehousemen or their employees or to public officers in course of regular duties.

Sec. 13. Common Nuisances.

Any place resorted to by addicts or used for illegal keeping or selling narcotics is deemed a common nuisance.

Sec. 14. Narcotic Drugs to be Delivered to State Officials.

All narcotic drugs, the lawful possession of which is not established which have come into the custody of an officer shall be forfeited and disposed of as follows:

- (a) Court may order it destroyed.
- (b) Except for heroin it may be delivered to State.
- (c) Drugs delivered to State may be allocated to public hospitals.
- (d) A completed record must be kept of drugs delivered to a State and of their disposal to hospitals.

Sec. 15. Notice of Conviction to Be Sent to Licensing Boards.

Records of convictions must be sent to licensing boards and license to practice may be suspended or revoked.

Sec. 16. Records Confidential.

All records and information obtained by enforcement officers is to be kept confidential except in connection with a prosecution or other court procedure.

Sec. 17. Fraud or Deceit.

It is illegal for any person to obtain narcotic drugs by forgery, altering a prescription, by use of false name or address, or other fraudulent or deceitful method.

Sec. 18. Exceptions and Exemptions Not Required to be Negatived.

The burden of proof of any exception, excuse, proviso or exemption is placed on the defendant.

Sec. 19. Enforcement and Cooperation.

Provides for cooperation of all state officers in enforcement of this Act.

(1) The first of the two main points of the report is that the Commission has found that the Government of the United States has not taken adequate steps to ensure that the rights of the people of the United States are protected in the event of a national emergency.

(2) The second point is that the Commission has found that the Government of the United States has not taken adequate steps to ensure that the rights of the people of the United States are protected in the event of a national emergency.

(3) The third point is that the Commission has found that the Government of the United States has not taken adequate steps to ensure that the rights of the people of the United States are protected in the event of a national emergency.

(4) The fourth point is that the Commission has found that the Government of the United States has not taken adequate steps to ensure that the rights of the people of the United States are protected in the event of a national emergency.

(5) The fifth point is that the Commission has found that the Government of the United States has not taken adequate steps to ensure that the rights of the people of the United States are protected in the event of a national emergency.

(6) The sixth point is that the Commission has found that the Government of the United States has not taken adequate steps to ensure that the rights of the people of the United States are protected in the event of a national emergency.

(7) The seventh point is that the Commission has found that the Government of the United States has not taken adequate steps to ensure that the rights of the people of the United States are protected in the event of a national emergency.

(8) The eighth point is that the Commission has found that the Government of the United States has not taken adequate steps to ensure that the rights of the people of the United States are protected in the event of a national emergency.

(9) The ninth point is that the Commission has found that the Government of the United States has not taken adequate steps to ensure that the rights of the people of the United States are protected in the event of a national emergency.

(10) The tenth point is that the Commission has found that the Government of the United States has not taken adequate steps to ensure that the rights of the people of the United States are protected in the event of a national emergency.

Sec. 20. Penalties.

Vary in different states. No specific penalties provided for in Uniform Act.

Sec. 21. Effect of Acquittal or Conviction under Federal Narcotic Laws.

No person shall be prosecuted under this Act if he has been acquitted of the same offense under the Federal Act.

Sec. 22. Constitutionality.

Provides the usual separability clause.

Sec. 23. Interpretation.

Declares that the intent of this Act is to make for uniform state laws.

Sec. 24. Inconsistent Laws Repealed.

Provides for the repeal of state laws at variance with this Act.

Sec. 25. Name of Act.

Shall be Uniform Narcotic Drug Act.

Sec. 26. Time of Taking Effect.

This Act shall take effect.....(as adopted by the various states).

Sec. 20. Penalties.

Very in different states. No specific penalties provided for in bill.
Act.

Sec. 21. Effect of acquittal or conviction under Federal Narcotic Laws.

No person shall be prosecuted under this Act if he has been acquitted
of the same offense under the Federal Act.

Sec. 22. Constitutionality.

Provides the usual separability clause.

Sec. 23. Interpretation.

Declares that the intent of this Act is to make for uniform laws.

Sec. 24. Inconsistent laws repealed.

Provides for the repeal of state laws as inconsistent with this Act.

Sec. 25. Name of Act.

Shall be Uniform Narcotic Drug Act.

Sec. 26. Title of Printing Office.

This Act shall take effect.....(as adopted by the various states).

Viruses, Serums, Toxins and Analogous Products Law.

Note - There are two Federal laws covering viruses, serums and toxins. One pertaining to products for human use is part of the Public Health Law and comes under the jurisdiction of the United Public Health Service. The other applies to products for animal use and comes under the jurisdiction of the Department of Agriculture.

For Human Use

Title 42, Chapter 6A - U. S. Code 1946

Sec. 262.

- (a) Forbids the interstate shipment or importation or possession of any virus, therapeutic serum, toxin, antitoxin or analogous product or arsphenamine or other trivalent organic arsenic compound applicable to disease in man unless the manufacturer is licensed to manufacture the product and unless each package is marked with the name of the article and the address and license number of such manufacturer along with an expiration date.
- (b) This paragraph forbids the false labeling or the altering of label on such products.

Regulations governing licenses provide that products for which a license is desired must meet standards of safety, purity and potency prescribed in regulations made jointly by the Surgeon General, the Surgeon General of the Army, the Surgeon General of the Navy and approved by the Administrator.

Regulations governing labeling provide that the following items appear on the outside label:

- (1) Name of manufacturer
- (2) Address of manufacturer
- (3) License number
- (4) Proper name of product
- (5) Minimum potency of product
- (6) "No U.S. standard of potency" if no such standard is established.
- (7) Lot number
- (8) Date of manufacture or issue with period of potency; or the expiration date.

Viruses, Serums, Toxins and Analogous Products Law.

Note - There are two Federal laws covering viruses, serums and toxins. One pertaining to products for human use is part of the Public Health Law and comes under the jurisdiction of the United Public Health Service. The other applies to products for animal use and comes under the jurisdiction of the Department of Agriculture.

For Human Use

Title 42, Chapter 6A - U. S. Code 1945

Sec. 262.

(a) Forbids the interstate shipment or importation or possession of any virus, therapeutic serum, toxin, antitoxin or analogous product or transportation or other treatment or other treatment or analogous product to disease in man unless the manufacturer is licensed to manufacture the product and unless each package is marked with the name of the article and the address and license number of each manufacturer along with an expiration date.

(b) This paragraph forbids the false labeling or the omission of label on such products.

Regulations governing the means provided for which a license is desired must meet standards of safety, purity and potency prescribed in regulations made jointly by the Surgeon General, the Surgeon General of the Army, the Surgeon General of the Navy and approved by the Administrator.

Regulations governing labeling provided that the following items appear on the outside label:

- (1) Name of manufacturer
- (2) Address of manufacturer
- (3) License number
- (4) Proper name of product
- (5) Minimum potency of product
- (6) "No U. S. standard of potency" if no such standard is established.
- (7) Lot number
- (8) Date of manufacture or date with period of potency, or the expiration date.

Virus • Serum • Toxin Act of 1913

For Animal Use

Title 21, Chapter 5, United States Code 1946

- Sec. 151. Forbids the interstate shipment or possession of any virus, serum, toxin or analogous product intended for the treatment of domestic animals unless manufactured under a license issued by the Secretary of Agriculture.
- Sec. 152. Forbids the importation of such products without a permit by the Secretary of Agriculture.
- Sec. 153. Authorizes the Secretary of Agriculture to cause the Bureau of Animal Industry to examine and inspect all such imports and gives him power to destroy or return, at the expense of the owner, all deficient products. The regulations applying to the labeling of such products require the following information:
- (1) Name of product
 - (2) Name and address of licensee
 - (3) License or permit number
 - (4) Manufacturers lot number
 - (5) Expiration date
 - (6) A dosage table and instructions for the proper use of the product or a statement as to where such information can be found.
 - (7) Quantity of contents
 - (8) Storage instructions
 - (9) In the case of multiple dose containers, a statement to the effect that the entire contents should be used at the time the container is first opened.
 - (10) Certain special statements in the case of Koch's old tuberculin (K.O.T.)
 - (11) The notice "Caution - Burn this container and all unused contents" in the case of products composed of viable or dangerous organisms or viruses.
 - (12) All other similar information required by the Chief.

Article 2, Section 1 of 1917
For Animal Use
Title 21, Chapter 2, United States Code 1916

- Sec. 151. Forbids the interstate shipment or possession of any virus, toxin or analogous product intended for the treatment of domestic animals unless manufactured under a license issued by the Secretary of Agriculture.
- Sec. 152. Forbids the importation of such products without a permit by the Secretary of Agriculture.
- Sec. 153. Authorizes the Secretary of Agriculture to cause the Bureau of Animal Industry to examine and inspect all such reports and give him power to destroy reports, at the expense of the owner, all labels and products. The regulations applying to the labeling of such products are given the following information:
- (1) Name of product
 - (2) Name and address of licensee
 - (3) License or permit number
 - (4) Manufacturer's lot number
 - (5) Expiration date
 - (6) A storage table and instructions for the proper use of the product or a statement as to where such information can be found.
 - (7) Quantity of contents
 - (8) Storage instructions
 - (9) In the case of multiple dose containers, a statement to the effect that the entire contents should be used at one time the container is first opened.
 - (10) Certain special statements in the case of Koch's old tuberculin (K.O.T.)
 - (11) The notice "Caution - Keep this container and all unused contents" in the case of products composed of viable or dangerous organisms or viruses.
 - (12) All other similar information required by the Code.

Federal Insecticide, Fungicide and Rodenticide Act.

Public Law 104

Sec. 1. Title - as above

Sec. 2. Definitions

- (a) Economic poison
- (b) Device
- (c) Insecticide
- (d) Fungicide
- (e) Rodenticide
- (f) Herbicide
- (g) Weed
- (h) Insect
- (i) Fungi
- (j) Ingredient statement - means either:
 - (1) Name and percentage of each active ingredient, together with the total percentage of the inert ingredients.
 - (2) Name of each active ingredient, together with the name of each and total percentage of inert ingredients. (Option (1) shall apply to preparations highly toxic to man). In addition to (1) or (2) a statement of percentages of total and water soluble arsenic, if any, must be provided.
- (k) Active ingredient
- (l) Inert ingredient
- (m) Antidote
- (n) Person
- (o) Territory
- (p) Secretary
- (q) Registrant
- (r) Label
- (s) Labeling
- (t) Adulterated
If strength or purity falls below the labeled standards or any substance has been substituted or if any valuable constituent has been abstracted.
- (u) Misbranded
 - (1) If label bears any statement or design which is false or misleading.
 - (2)
 - (a) If it is an imitation of another economic poison.
 - (b) If its labeling bears any reference to the registration of the product.
 - (c) If its labeling fails to bear adequate directions.
 - (d) If its labeling fails to bear adequate warnings.
 - (e) If its labeling fails to bear required ingredient statements.
 - (f) If required label statements fail to have proper conspicuousness.
 - (g) If in the case of an insecticide, fungicide, or herbicide when used as directed it is injurious to man or other vertebrate animal or to vegetation except weeds.

Sec. 3. Prohibited Acts.

- (1) The sale of unregistered economic poisons or the sale of such products which differ in claims, directions or composition from the registered product.

Sec. 1. Title - as above

Sec. 2. Definitions

- (a) Economic poison
- (b) Device
- (c) Insecticide
- (d) Fungicide
- (e) Rodenticide
- (f) Herbicide
- (g) Weed
- (h) Fertilizer
- (i) Plant
- (j) Injurious

Injurious statement - means either:
(1) Name and percentage of each active ingredient, together with the total percentage of the inert ingredients;
(2) Name of each active ingredient, together with the name of each and total percentage of inert ingredients. (b)(1) shall apply to preparations highly toxic to man. In addition to (1) or (2) a statement of percentage of total active ingredients, if any, may be provided.

- (k) Active ingredient
- (l) Inert ingredient
- (m) Antidote
- (n) Poison
- (o) Territory
- (p) Laboratory
- (q) Manufacturer
- (r) Label
- (s) Labeling
- (t) Adulterated

If change of name or formula below the label standards or any substance has been submitted or if any variance consistent has been observed.

(u) If label bears any statement or design which is false or misleading.

(v) If it is an imitation of another economic poison.
(w) If its labeling bears any reference to the registration of the product.
(x) If its labeling fails to bear adequate directions.
(y) If its labeling fails to bear adequate warnings.
(z) If its labeling fails to bear required ingredients statement.

(1) If required label statements fail to have proper correspondence.
(2) If in the case of an insecticide, fungicide, or herbicide when used as directed it is injurious to man or other vertebrate animal or to vegetation except weeds.

Sec. 3. Prohibited Acts.

(1) The sale of unregistered economic poisons or the sale of such poisons which differ in name, ingredients or composition from the registered product.

- (2) The sale of any economic poison unless it is in the registrants unbroken package and bearing a label giving:
 - (a) Name and address of registrant or manufacturer
 - (b) Name of product with brand or trade-mark.
 - (c) Net weight or measure of contents
- (3) The sale of highly toxic economic poisons unless the label also bears:
 - (a) Skull and crossbones
 - (b) The word "poison" prominently displayed in red.
 - (c) A statement of an antidote.
- (4) The sale of certain listed arsenates, fluorides and barium compounds unless distinctly colored.
- (5) Any product, adulterated or misbranded.

Note - No article intended for export is in violation of this Act if it is prepared and packed in accordance with the specifications of the purchaser.

It is also unlawful:

- (1) For any person to alter, deface, or detach any required labeling or to change its composition.
- (2) For any manufacturer, distributor or carrier to refuse access to records.
- (3) To give a false "guarantee"
- (4) For any person to use to his own advantage any information acquired through the requirements of this Act.

Sec. 4. Registration.

- (a) General provisions for registration of products with specific required information as follows:
 - (1) Name and address of registrant
 - (2) Name of product
 - (3) A complete copy of labeling including claims and directions.
 - (4) If requested by the Secretary a full description of tests made and upon which claims are based.
- (b) Empowers Secretary to request a complete formula of an economic poison.
- (c) Provisions for registration "under protest" when there is a difference of opinion concerning claims, etc.
- (d) Provisions for the shipment of unregistered economic poisons from one plant to another when both are owned by same person.
- (e) Provisions empowering Secretary to cancel registrations after 5 years unless registrant requests continuation.

Sec. 5. Books and Records.

Manufacturers, distributors and dealers must make records available to employees of U.S. Department of Agriculture but information so obtained shall not be used in criminal prosecution of person from whom obtained.

Sec. 6. Enforcement.

- (a) Secretary is empowered to make regulations and is authorized after opportunity for hearings.

- (2) The sale of any economic poison unless it is in the registrant's original package and bearing a label giving:
- (a) Name and address of registrant or manufacturer
 - (b) Name of product with brand or trade-mark
 - (c) Net weight or measure of contents
- (3) The sale of highly toxic economic poisons unless the label also bears:
- (a) Skull and crossbones
 - (b) The word "poison" prominently displayed in red
 - (c) A statement of an antidote
- (4) The sale of certain listed insecticides, fumigants and certain rodenticides unless distinctly colored:
- (5) Any product, adulterated or misbranded.
- Note - No article intended for export is in violation of this Act if it is prepared and packed in accordance with the specifications of the purchaser.
- It is the duty of the:
- (1) For any person to alter, dilute, or detach any red lined labeling or to change its composition
 - (2) For any manufacturer, distributor or carrier to refuse access to records
 - (3) To give a false "Guarantee"
 - (4) For any person to use to his own advantage any information required through the requirements of this Act.

Sec. 4. Registration.

- (1) General provisions for registration of products with specific reference to information as follows:
- (1) Name and address of registrant
 - (2) Name of product
 - (3) A complete copy of labeling including claims and directions
 - (4) If requested by the Secretary a full description of tests made and upon which claims are based.
- (2) The Secretary may require a complete formula of an economic poison.
- (3) Provisions for registration "after protest" when there is a difference of opinion concerning claims, etc.
- (4) Provisions for the shipment of unregistered economic poisons from one plant to another when both are owned by same person.
- (5) Provisions empowering Secretary to cancel registrations after 2 years unless registrant makes continuation.

Sec. 5. Books and Records.

Manufacturers, distributors and dealers must make records available to employees of U.S. Department of Agriculture but information so obtained shall not be used in criminal prosecution of person from whom obtained.

Sec. 6. Enforcement.

- (1) Secretary is empowered to make regulations and is authorized after opportunity for hearing.

- (1) To declare a pest any form of plant or animal life or virus which is injurious to plants, man or animals.
 - (2) To determine which economic poisons are highly toxic.
 - (3) To determine standards of required colors for highly toxic poisons.
- (b) Empowers the Secretary of Treasury and the Secretary of Agriculture to jointly prescribe regulations for imports.
 - (c) Provisions for making examination of economic poisons, for holding hearing and proceedings in cases of alleged law violations.
 - (d) Requires U.S. attorney to bring proceedings when violations are reported by Secretary.
 - (e) Empowers Secretary to publish judgments.

Sec. 7. Exemptions.

- (a) The Act does not apply:
 - (1) To persons who purchased under a guarantee.
 - (2) To carriers who make records available.
 - (3) To public officials.
 - (4) To manufacturers or shippers of products for experimental use.

Sec. 8. Penalties.

Various penalties for violations of different sections of the Act. They run as high as imprisonment for 3 year and \$10,000 fine or both.

Sec. 9. Seizures.

- (a) Provides for seizure and condemnation as follows:
 - (1) In case of economic poisons
 - (a) If adulterated or misbranded
 - (b) If not registered
 - (c) If label fails to bear required information
 - (d) If not colored as required
 - (2) In case of a device - if it is misbranded.
- (b) Gives details of disposal of products which are condemned by court action.
- (c) Requires court, storage and similar fees to be paid by owner of product.

Sec. 10. This section deals with imports of economic poisons and provides for the joint duties of the Secretary of Agriculture and Secretary of Treasury.

Sec. 11. Delegation of Duties.

Empowers the Secretary to delegate powers to his employees.

Sec. 12. Outlines provisions for necessary monetary appropriations and expenditures.

Sec. 13. Empowers the Secretary to cooperate with other Federal departments.

Sec. 14. Usual separability clause.

Sec. 15. Effective dates of the various provisions of the Act.

Sec. 16. Dates of repeal of the various previous legal requirements.

Note - A lengthy series of regulations have been enacted which go into great detail as to the interpretation of the various provisions of the Act.

1. The first part of the report is a general statement of the work done during the year.

- (a) The first part of the report is a general statement of the work done during the year.
- (b) The second part of the report is a detailed account of the work done during the year.
- (c) The third part of the report is a summary of the work done during the year.

2. The second part of the report is a detailed account of the work done during the year.

3. The third part of the report is a summary of the work done during the year.

4. The fourth part of the report is a summary of the work done during the year.

5. The fifth part of the report is a summary of the work done during the year.

6. The sixth part of the report is a summary of the work done during the year.

7. The seventh part of the report is a summary of the work done during the year.

8. The eighth part of the report is a summary of the work done during the year.

9. The ninth part of the report is a summary of the work done during the year.

10. The tenth part of the report is a summary of the work done during the year.

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Federal Caustic Poison Act.

Title 15, Chapter 11 - U.S. Code 1946

Sec. 401. Citation - Act is known as Federal Caustic Poison Act.

Sec. 402. Definitions.

- (a) "Dangerous caustic or corrosive" substance means:
- (1) Hydrochloric acid, 10% or more
 - (2) Sulfuric acid, 10% or more
 - (3) Nitric acid, 5% or more
 - (4) carbolic acid, 5% or more
 - (5) Oxalic acid, 10% or more
 - (6) Salts of oxalic acid, 10% or more
 - (7) Acetic acid, 20% or more
 - (8) Hypochlorous acid, free or combined, to yield 10% or more of chlorine excluding calx chlorinata, bleaching powder and chloride of lime.
 - (9) Potassium hydroxide, 10% or more
 - (10) Sodium hydroxide, 10% or more
 - (11) Silver nitrate, 5% or more
 - (12) Ammonia water, 5% ore more
- (b) "Misbranded" means a retail package not labeled with:
- (1) Common name of substance
 - (2) Name and address of manufacturer, packer or distributor.
 - (3) The word "poison" in manner specified.
 - (4) Directions for treatment in case of injury caused by product.
- (c) "Interstate or foreign commerce" defined.

Sec. 402. Misbranded shipments.

No person shall ship in interstate or foreign commerce any dangerous or caustic substance in a misbranded package or container suitable for household use but this section does not apply to:

- (a) Common carriers shipping or delivering in the ordinary course of business.
- (b) To a product intended for export if labeled in accordance with specifications of the purchaser and if not in violation of the laws of the country to which it is being exported.
- (c) To anyone purchasing a product under a guarantee.

Sec. 404. Libel for Condemnation Proceedings.

- (a) Misbranded products may be proceeded against and are subject to possible condemnation if the product is:
- (1) Shipped in interstate or foreign commerce.
 - (2) Held for sale after so being shipped.
 - (3) Held for sale in any Territory, possession or in the District of Columbia.
- (b) If condemned a product may be disposed of:
- (1) By destruction
 - (2) By sale with guarantees that it will not be resold illegally.
 - (3) By delivery to the owner with guarantees that it will not be sold illegally.

Sec. 405. This section provides for joint action on the part of the Secretary of Agriculture and Secretary of Treasury to prevent illegal imports.

Sec. 406. This section makes it unlawful for any person to alter, mutilate or destroy any required label.

Sec. 407. Penalties.

Not more than \$200 fine or 90 days imprisonment or both.

Note - A lengthy series of regulations provide in great detail the procedure under which the various provisions of the Act are to be carried out.

Sec. 105. This section provides for joint action on the part of the Secretary of Agriculture and Secretary of Treasury to prevent illegal imports.

Sec. 106. This section makes it unlawful for any person to alter, mutilate or destroy any registered label.

Sec. 107. Penalties.
Not more than \$500 fine or 90 days imprisonment or both.

Sec. 108. A lengthy series of regulations provide in great detail the procedure under which the various provisions of the Act are to be carried out.

Federal Trade Commission Act.

Title 15, Chapter 2 - U.S. Code, 1946

This Act creates a commission of five known as the Federal Trade Commission appointed by the President with the advice and consent of the Senate. The appointments are for seven years and not more than 3 members may be members of the same political party.

The Commission has the power to investigate, hold hearings and to issue cease and desist orders in connection with any unfair methods or deceptive acts of competition in commerce. Such unfair methods include alleged violations of the Antitrust Acts, the Robinson-Patman Act, the Sherman Act and the use of false and misleading advertising.

Note - Only the false advertising features of the Federal Trade Commission Act are discussed here.

Sec. 52. Dissemination of False Advertising.

- (a) It is unlawful to disseminate any false advertising:
 - (1) By U.S. mails which would induce the purchase of food, drugs, devices or cosmetics.
 - (2) Or by any other means.
- (b) The dissemination of false advertising is declared an unfair and deceptive act.

Sec. 53. Commission May Bring Suit.

- (a) Whenever it has reason to believe:
 - (1) That a person is engaged in or is about to engage in the dissemination in violation of section 52.
 - (2) That the issuance of a temporary injunction would be in the interest of the public.
- (b) Provides that the court may exclude any publication from a restraining order if such order would cause an unreasonable delay in the issuance and delivery date of such publication.

Sec. 54. Penalty; Liability; Exception of Advertising Media.

- (a) Provides penalties of \$5,000 and imprisonment of not more than six months or both for first offense and double these penalties for subsequent convictions.
- (b) Excludes publishers, radio-broadcasters and advertising agencies from responsibility unless they refuse to furnish to the Commission the name and address of the firm which caused them to disseminate the false advertising.

Sec. 55. Definitions.

- (a) False advertisement
- (b) Food
- (c) Drug
- (d) Device
- (e) Cosmetic

This Act contains a declaration of the intent of the Voluntary Trade Commission, established by the President with the advice and consent of the Senate. The Commission is to be composed of five members, and not more than three members may be members of the same political party.

The Commission has the honor to acknowledge the receipt of the letter of the Honorable Secretary of the Interior, dated January 1, 1915, in relation to the proposed amendment to the Act, which would change the name of the Commission to the National Trade Commission, and to the effect of the proposed amendment, which would change the name of the Commission to the National Trade Commission, and to the effect of the proposed amendment, which would change the name of the Commission to the National Trade Commission.

Only the following provisions of the Voluntary Trade Commission Act are discussed here:

Sec. 27. Administration of the Commission.

- (1) It is unlawful for any person to obstruct or interfere with the Commission in the exercise of its powers, duties, and functions.
- (2) Any person who obstructs or interferes with the Commission in the exercise of its powers, duties, and functions shall be fined not more than \$1,000 or imprisoned not more than six months, or both.
- (3) The Commission may make such rules and regulations as may be necessary for the efficient conduct of its business.

Sec. 28. Commission may make rules.

- (1) The Commission may make such rules and regulations as may be necessary for the efficient conduct of its business.
- (2) Any person who obstructs or interferes with the Commission in the exercise of its powers, duties, and functions shall be fined not more than \$1,000 or imprisoned not more than six months, or both.
- (3) The Commission may make such rules and regulations as may be necessary for the efficient conduct of its business.

Sec. 29. Penalties for obstruction of the Commission.

- (1) Any person who obstructs or interferes with the Commission in the exercise of its powers, duties, and functions shall be fined not more than \$1,000 or imprisoned not more than six months, or both.
- (2) Any person who obstructs or interferes with the Commission in the exercise of its powers, duties, and functions shall be fined not more than \$1,000 or imprisoned not more than six months, or both.
- (3) Any person who obstructs or interferes with the Commission in the exercise of its powers, duties, and functions shall be fined not more than \$1,000 or imprisoned not more than six months, or both.

Sec. 30. Penalties for obstruction of the Commission.

- (1) Any person who obstructs or interferes with the Commission in the exercise of its powers, duties, and functions shall be fined not more than \$1,000 or imprisoned not more than six months, or both.
- (2) Any person who obstructs or interferes with the Commission in the exercise of its powers, duties, and functions shall be fined not more than \$1,000 or imprisoned not more than six months, or both.
- (3) Any person who obstructs or interferes with the Commission in the exercise of its powers, duties, and functions shall be fined not more than \$1,000 or imprisoned not more than six months, or both.

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MARKETING DRUG PRODUCTS

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McKesson & Robbins, Inc.

MARKETING YOUR PRODUCTS

Dr. Herman C. Hoffer
McGraw-Hill Book Co., Inc.

Marketing by Manufacturers

Lecture Number 1

- I. Manufacturers who market products through retail drug stores may be divided into several distinct groups -- pharmaceutical, proprietary, toiletries and cosmetics, sundries, tobacco, and fountain supply manufacturers. Each group of suppliers faces different conditions and problems although they all market a substantial part of their production through the same type of retail outlet.
- II. The basic objectives of suppliers common to manufacturers marketing through retail pharmacies:
 1. To supply consumers and distributors with the exact merchandise needed, at the time it is needed, in the quantities required, and at fair prices.
 2. To perform the marketing functions so that the finest possible service is rendered their customers.
 3. To cooperate with their distributors in such a way as to maintain the closest and most cordial relations with these customers.
 4. To standardize the lines and items carried so that distributors do not need to stock merchandise for which there is no real demand.
 5. To protect consumers and distributors against the violation of our national, state, or local laws.
- III. The basic policies underlying the marketing of products by drug manufacturers:
 1. All products should be good values.
 2. Products should be drug store products.
 3. Products should be priced right.

Marketing in International

Chapter I

Manufacturers who market products through retail stores may be divided into several distinct groups -- pharmaceutical, proprietary, scientific and domestic, scientific, and foreign supply manufacturers. Each group of suppliers faces different conditions and problems although they all market a substantial part of their production through the same type of retail outlet.

The basic objectives of suppliers common to manufacturers marketing through retail pharmacies

1. To supply consumers and distributors with the exact number and kind of products as needed, in the quantities required, and at low prices.

2. To perform the marketing function as well as that possible service is rendered these customers.

3. To cooperate with their distributors in such a way as to maintain the highest and most ethical relations with these customers.

4. To maintain the lines and their control to their distributors as not need to stock merchandise for which there is no real demand.

5. To protect consumers and distributors against the violation of anti-trust, state, or local laws.

III. The basic policies underlying the marketing of products by drug manufacturers;

1. All products should be sold in bulk.
2. Products should be sold in large quantities.
3. Products should be sold in small quantities.

4. Products and lines should have a sound profit structure for the distributor.
5. Products should have a low handling cost or an adequate margin to cover high handling costs.
6. Products should have a real and steady demand.
7. Manufacturers' marketing policies should be tuned to retail pharmacy operation.
8. Should keep in mind means and methods of safeguarding distributors against price declines when these declines may present serious problems to distributors.
9. Producers should carry adequate products liability insurance.
10. Fair Trade or stabilization important.
11. Manufacturers' past history should be satisfactory.
12. Future prospects for products should be good.
13. Manufacturers should have a plan for moving products from retailers' shelves.

IV. Marketing of pharmaceutical products:

1. What are pharmaceuticals?
2. Size of market.
 - a) Probably about \$700,000,000 at manufacturers' selling prices including perhaps \$100,000,000 of which is sold to hospitals.
 - b) Prescription volume in retail pharmacies is estimated by Drug Topics as about \$579,000,000 in 1949. Discrepancy in figures for a) and b) caused in part by over-the-counter sale of items produced by pharmaceutical manufacturers.
 - c) Market expanding and growing rapidly. Over one half of Rx volume in items not in existence six years ago.

1. Products and lines should have a sound profit structure for the distributor.
2. Products should have a low handling cost or an adequate margin to cover high handling costs.
3. Products should have a real and steady demand.
4. Manufacturers/distributors policies should be aimed to retail company operation.
5. Distributors help in kind means and methods of safeguarding distribution against price declines when these declines may present serious problems to distributors.
6. Products should carry a certain product liability insurance.
7. High price or excessive discounts.
8. Manufacturers' past history should be satisfactory.
9. Future prospects for products should be good.
10. Manufacturers should have a plan for moving products from retail shelves.

2. Marketing of pharmaceutical products:

1. How are pharmaceuticals sold?
2. Size of market.
3. Products worth \$100,000 or more are marketed by selling through marketing houses \$100,000,000 of which is sold to hospitals.
4. Distribution volume in retail pharmacies is estimated by drug houses as about \$25,000,000 in 1952. This increase in figures for a) and b) caused in part by over-the-counter sale of items produced by pharmaceutical manufacturers.
5. Market expanding and growing rapidly. Over one half of its volume in 1952 was in existence six years ago.

3. How Rx products originate. Largely through research. Amount spent on pharmaceutical research.
4. Pricing pharmaceutical products:
 - a) Cost to produce
 - b) Length of market
 - c) Competition
5. Planning the marketing of Rx products.
6. Methods of promotion:
 - a) Detailing of doctors
 - b) Consumer advertising
 - c) Advertising to distributors
 - d) Promotion plans
7. Marketing to drug stores.
8. Marketing to hospitals.

3. New Rx products originated, largely through research, amount

spent on pharmaceutical research.

4. Existing pharmaceutical products

a) Cost to produce

b) Market of market

c) Competition

5. Marketing and advertising of Rx products.

a) Methods of promotion:

i) Detailing of doctors

ii) Sales or advertising

c) Advertising to distributors

d) Promotion plans

6. Marketing in drug stores.

7. Marketing to hospitals.

MARKETING MANUFACTURED PRODUCTSLecture Number 2Marketing Proprietaries

I. What are proprietaries? How they differ from pharmaceuticals and toiletries.

II. Size of Proprietaries market.

<u>Product</u>	<u>Total Consumer Purchases in Millions</u>	<u>Sold in Drug Stores in Millions</u>	<u>% of Drug Store Sales</u>	<u>% of Total Sales Sold in D.S.</u>
Home Medicaments	546	413	11.19%	75.56%
Vitamin Concentrates	188	165	4.47	87.62
Sickroom Supplies	75	49	1.32	65.39
First Aid Goods	83	68	1.84	81.90
Foot Products	30	18	.48	58.41
Animal Items	125	44	1.18	35.01
Home Sanitation	98	23	.61	23.21
Feminine Needs	158	90	2.43	56.71
Baby Goods	301	101	2.75	33.70
Oral Hygiene	<u>151</u>	<u>94</u>	<u>2.56</u>	<u>62.18</u>
Total	\$1,755	\$1,065	28.83%	-----

III. Drug Store Competition in this field:

1. Sundries stores
2. Grocery stores
3. Super markets
4. Department stores
5. House-to-house selling
6. Other

REGISTERED PATENTED PRODUCTS

Product Number 1

Marketing Information

1. The two products are identical, how they differ from pharmaceuticals and biologicals.

2. The two products are identical.

Product	Total Domestic Production in Millions	Sold in Drug Stores in Millions	% of Drug Store Sales	% of Total Sales Sold in U.S.
Aspirin	300	11.1%	75.5%	
Vitamin Concentrates	100	1.4%	67.6%	
Alcohol Solution	75	1.3%	63.3%	
Protein and Glucose	60	1.2%	61.9%	
Food Products	50	.4%	38.4%	
Animal Protein	150	1.1%	32.0%	
Home Medication	90	.6%	29.2%	
Formative Media	120	2.4%	32.7%	
Test Kits	100	2.7%	33.7%	
Chemical Reagents	110	2.5%	32.7%	
Total	1,170	21.0%	35.0%	

3. Drug Store Competition in this field:

1. Retail stores
2. Grocery stores
3. Super markets
4. Department stores
5. Home-to-home selling
6. Other

IV. How proprietary products originate:

1. Planned development
2. Private formula
3. Specific examples:
 - a) Anahist
 - b) Hadacol
 - c) Antamine

V. Pricing proprietaries:

1. Typical retail margins
2. Typical wholesaler margins
3. Typical manufacturer margins
4. Odd prices
5. Influence of other than drug channels.

VI. Profitableness of proprietaries.

VII. Planned marketing of proprietaries.

VIII. Methods of promotion:

1. National advertising:
 - a) Newspaper
 - b) Magazine
 - c) Radio
 - d) Television
 - e) Sampling
 - f) Other
2. Point of sale promotion:
 - a) Windows
 - b) Interior

IV. New proprietary products originated:

1. Planned development

2. Reverse formula

3. Specific examples:

a) Aspirin

b) Kleenex

c) Antacid

4. Existing products:

1. Typical retail margins

2. Typical distributor margins

3. Typical manufacturer margins

4. Old prices

5. Influence of other than drug channels.

V. Profitability of products.

VI. Planned marketing of products.

VII. Methods of promotion:

1. National advertising:

a) Newspaper

b) Magazine

c) Radio

d) Television

e) Sampling

f) Other

2. Point of sale promotion:

a) Window

b) Interior

Lecture Number 2 -- page 3.

3. Cooperative advertising:

- a) Chain store
- b) Department store
- c) Other

4. P. M.'s

5. Deals, bonus goods, etc.

6. Quantity discounts

7. Displays and other.

IX. Trends in Marketing of Proprietary Products:

1. Market declining percentagewise

2. Pharmaceuticals today are expanding more rapidly than proprietaries

3. Trends in grocery and super market competition in this field

4. Governmental agencies getting stricter in regard to promotional claims made by proprietary manufacturers.

3. Cooperative advertising:

- a) Chain stores
- b) Department stores
- c) Other

4. E. M. S.

- 1. Hotels, tourist goods, etc.
- 2. Specialty discounts
- 3. Displays and other

5. Trends in Marketing of Proprietary Products

- 1. Market dominating organizations
- 2. Promotional efforts today are expanding more rapidly than previously
- 3. Trends in product and sales effort competition in this field
- 4. Governmental agencies getting stronger in regard to promotion
- 5. Social claims made by proprietary manufacturers

MARKETING MANUFACTURED PRODUCTSLecture Number 3Marketing Toiletries and Cosmetics

I. What are toiletries and cosmetics.

II. Size of Toiletries Market:

<u>Product</u>	<u>Total Consumer Purchases in Millions</u>	<u>Sold in Drug Stores in Millions</u>	<u>% of Drug Store Sales</u>	<u>% of Total Sales Sold in D.S.</u>
Cosmetics	304	99	2.68%	32.51%
Personal Cleanli-				
ness Items	415	66	1.78	15.84
Hair Products	285	135	3.67	47.45
Hand Products	67	28	.76	42.29
Shaving Products	<u>233</u>	<u>109</u>	<u>2.95</u>	<u>46.77</u>
Total	\$1,304	\$437	11.84%	-----

III. Drug Store Competition in this field:

1. Department Stores
2. Syndicate stores
3. Grocery stores
4. Supermarkets
5. House-to-house selling
6. Other

IV. How toiletries items develop.

V. Pricing toiletries:

1. Typical margins for retailers
2. Typical margins for wholesalers
3. Typical margins for manufacturers

MANUFACTURING INDUSTRIES

Industry Number 1

Manufacturing Industries and Commerce

I. Total and collection and comparison.

II. Size of collection period:

Industry	Total Collection Periods in Millions	Total Sales in Millions	% of Total Sales	% of Total Sales
Commerce	204	99	2.60%	22.5%
Wholesale				
Food	415	66	1.78	15.8%
Textile	285	132	3.67	47.4%
Lumber	87	28	.76	43.3%
Chemical	232	102	2.92	66.7%
Total	2,704	967	11.8%	—

III. Total Sales Comparison in Data Table:

1. Department Stores
2. Wholesale stores
3. Grocery stores
4. Supermarkets
5. Home-to-home selling
6. Other

IV. How collection items develop.

V. Pricing collection:

1. Typical margins for retailers
2. Typical margins for wholesalers
3. Typical margins for manufacturers

Lecture Number 3 -- page 2.

4. Pricing cosmetics
5. Pricing soaps
6. Pricing home permanents

VI. Profitableness of toiletries:

1. To retailer
2. To wholesaler
3. To manufacturer

VII. Planned merchandising.

VIII. Methods of promotion:

1. National advertising
2. Point of sale displays
3. Cooperative advertising
4. Demonstrators
5. P. M.'s
6. Deals, bonus goods
7. Quantity discounts
8. Sampling

IX. Trends in Toiletries marketing:

1. Relative growth of groups:
 - a) Cosmetics
 - b) Hair products
 - c) Shaving needs
2. Competitive trends.

1. To the
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3. To the

Section 2 - Page 2

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Section 3 - Page 3

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Section 4 - Page 4

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4. To the

MARKETING MANUFACTURED PRODUCTSLecture Number 4Marketing Sundries and Miscellaneous Products

I. Types of items included in this group.

II. Size of Sundries and Miscellaneous Market:

<u>Product</u>	<u>Total Consumer Purchases in Millions</u>	<u>Sold in Drug Stores in Millions</u>	<u>% of Drug Store Sales</u>	<u>% of Total Sales Sold in D.S.</u>
Photographic				
Products	364	77	2.08%	21.11%
Stationery and W.I.	467	75	2.05	16.15
Household Products	168	12	.32	6.98
Confectionery	1,855	193	5.23	10.39
Periodicals	1,489	123	3.32	8.23
Tobacco	4,124	420	11.40	10.19
Liquor	8,800	83	2.26	.95
Misc. Products	-----	171	4.63	-----
Total	-----	\$1,154	31.29%	-----

III. Drug Store Competition in this field.

IV. Pricing this type of merchandise including retail and wholesale margins:

1. Photographic items
2. Stationery
3. Periodicals
4. Confectionery
5. Tobacco
6. Sundries

MARKETING AND DISTRIBUTION SERVICES

Location Section 1

Marketing Services and Miscellaneous Products

1. Types of items located in this group.

2. Size of business and miscellaneous products:

Location	Total Company Sales in Millions	Sold in Dry Goods in Millions	% of Total Sales Sold in D.G.
Photographic			
Accessories	304	77	25.1%
Stationery and P.L.	407	73	18.1%
Miscellaneous Products	100	12	12.0%
Confectionery	1,055	193	18.3%
Periodicals	1,408	103	7.3%
Toys	4,125	430	10.4%
Clothing	8,400	83	1.0%
Miscellaneous	—	121	4.3%
Total	17,194	1,194	6.9%

3. Dry Goods Corporation in this field.

4. Location in type of merchandise including retail and wholesale.

Location:

1. Photographic items

2. Stationery

3. Periodicals

4. Confectionery

5. Toys

6. Clothing

V. Profitableness

VI. Methods of promotion:

1. National advertising
2. Local advertising
3. Point of sale displays
4. Deals, bonus goods, etc.
5. Quantity discounts (less common than among proprietary products)

VII. Marketing Trends.

V. Proceedings

VI. Matters of procedure

1. National advertising

2. Local advertising

3. Form of sale display

4. Data, forms, etc.

5. Special matters (see notes on each paragraph)

(Notes)

VII. Marketing funds

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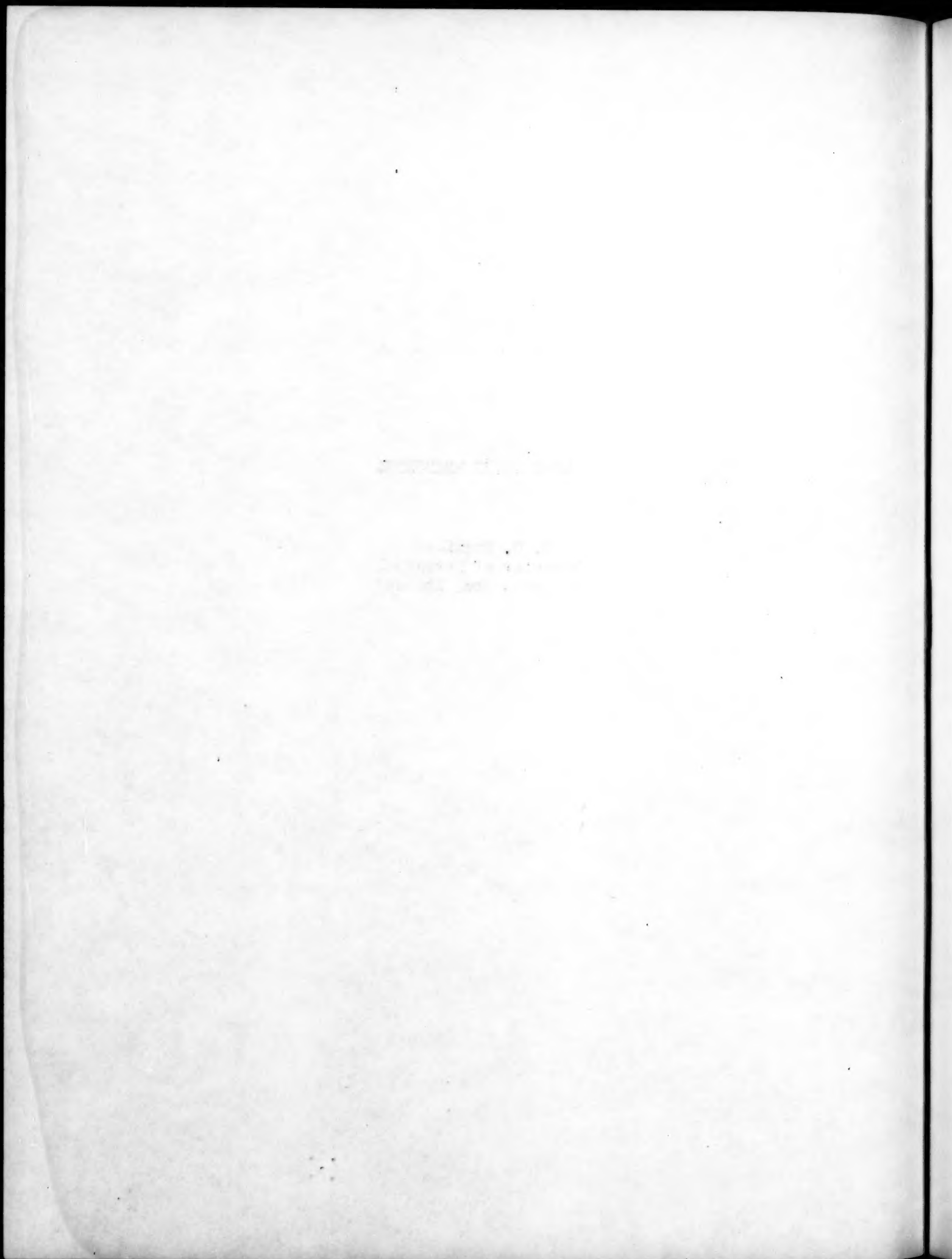
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DRUG STORE PERSONNEL

T. G. Crawford
Director of Personnel
Walgreen Drug Stores



FIRST SESSION

Mr. Chairman and Ladies and Gentlemen:

I appreciate very much the opportunity of meeting with you today and tomorrow to discuss the important problem of personnel administration as it pertains to the retail drug field.

This whole conference is certainly a progressive step forward, since about 80% of Pharmacy graduates choose to enter the field of Drug Retailing. Forward, because it is the beginning of a plan to incorporate the teaching of sound business practices in the curricula of the Colleges of Pharmacy.

Today's Retail Pharmacist is both a professional and a businessman. For him to be successful, it is necessary that he have a thorough understanding of the fundamentals of good business procedures.

During this seminar, considerable emphasis has been given to merchandising, marketing, accounting, economics, and management, all phases of controlling the tangible assets of a drug store. Certainly potential retail pharmacists need to know about all of these important subjects. But they must also be aware of the fact that a drug store has

FIRST SESSION

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another type of assets - intangible assets - which do not necessarily appear on the balance sheet, but must also be built up and properly maintained.

The intangible assets of any retail drug store are extremely important to its success. How well will the tangible assets of a drug store be used unless that store has stable, productive and satisfied employees? Does it make any difference if the sales personnel are friendly and helpful as compared with being surly and treating customers in an abrupt manner? Does it make any difference whether or not the salespeople have been on their job for some time, know where merchandise is located, and also know the selling points of the merchandise? Does it matter if the store personnel do not respect the proprietor or manager of the store and do just as little work as they can get by with? The human assets of a drug store can make it or break it - yet they, as mentioned before, do not appear on the balance sheet, and many pharmacists pay little attention to them.

Now, to be sure, retail drug stores are not the only stores where the development and maintenance of these intangible, human assets have been overlooked. The whole retailing field has lagged far behind the procession in this regard. Some years ago, retail stores were engrossed in buying - on the theory that if they stocked the goods people wanted, the goods would sell themselves. Then someone discovered that by doing a

smart job of merchandising and advertising, people would buy more and different goods. So, many of the retailers climbed on that band wagon. Recently, however, a number of retailers have realized that they have been overlooking a very important aspect of their business and they are now giving increasing attention to sound personnel practices. It is extremely encouraging to see the progress which those far-sighted retailers have made and the excellent results which they have already obtained.

Here are some figures for retail drug stores which will show you why the retail pharmacist must also give more and more attention to his human assets. According to the Lilly Digest of the 1948 statements of 1,122 retail drug stores, in 1939 the average gross profit margin of all drug stores was 32.7%; in 1946 this margin was 32.3%; in 1947, 32.3% and in 1948 it was 32.6%. In other words, over the years this margin has remained remarkably constant.

Now, out of this gross profit the druggist must pay all his selling and other operating expenses - and what is left, minus taxes, is his net profit. The Lilly survey further shows that most overhead expenses have increased substantially the past several years, especially when salary costs are examined. Wages and salaries paid to employees, proprietors or store managers in 1939 were 15.5% of total sales;

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in 1946, 15.5%; in 1947, 16.4% and in 1948 were 17.0%. This shows an increase in salary costs of approximately 10% for the period 1946 to 1948.

The answer to this problem of increased salary costs will not be in reduced wages or increased hours, inasmuch as it appears that employees wages will be further increased and working hours shortened.

In order to attract the right kind of applicants, it is important to be competitive in wage levels and working hours. After all, when wages are paid manpower is purchased and like most anything else one gets just what they pay for.

It should also be further noted that during the past few years with better wage levels and improved working conditions and hours, the retail drug business offers an attractive career. Let's all keep it that way!

From these facts you can readily see that the most important factors in the answer to this problem are that a much better job must be done in the selection of employees, and in the follow through on employee training.

This will have several beneficial effects. Stable, productive and

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satisfied employees have a direct bearing on total sales. Salespeople who are well suited to their jobs and who like their work, sell more. And after all, each one of the employees is a personal representative of the store. They can build either good or ill will. Customers like to trade at a store where employees are courteous and efficient and they will buy more at such a store. As a result, by improving his employees, a druggist can increase his total store sales and profits.

Another effect of improving employee efficiency and morale is that other costs are cut. Good employees are careful with stock - there is less breakage, less spoiled merchandise. Furthermore, good employees are careful with materials and supplies, are honest and reliable. Considerable savings of this sort can be realized.

Still another effect - Increased savings because of a decrease in personnel turnover. Many proprietors or store managers do not realize that hiring is investing. Every new person hired represents a considerable investment of both time and money - it takes time to hire him, to train him, to give him extra supervision while he is breaking in on the job; it takes money to pay for the recruiting expenses, and to pay him until he fully earns his keep. When an employee leaves after only being with the store for a short time, all this investment is lost - just as surely as if the proprietor or store manager had taken money from the cash register and burned it.

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from the cash register and burned it.

These several effects would indicate that the retail druggist can no longer ignore his human assets. His employees play such a vital part in his success that he must develop and maintain a stable, productive and satisfied work force. Wages and salaries not only make up approximately 65% of his selling expenses - but, in addition have a direct bearing on his total store sales, his other costs and his profits:

* * * * *

Now, the all important question is: How can a retail druggist improve his employees? How can he build and maintain a truly stable, productive and satisfied work force? And the answer to that is: He must have a sound personnel program which should include a systematic selection procedure, employee training and sound personnel policies. Such a program is by no means a luxury or some sort of an impractical, humanitarian plan for coddling employees. It is an absolute necessity for the successful operation of any retail drug store regardless of size.

The balance of the time we have allotted together for today and tomorrow we will spend outlining the nature and scope of a sound personnel program for any retail drug store. What should the basic personnel policies of a retail drug store be? What methods and procedures should a druggist use to carry out his personnel policies? Both questions are important because you have to know both, what you are trying to do, and

There are several things which would indicate that the retail druggist can
be made to operate his business better. The employees play such a vital
part in the success of the business that the owner should make a study of
them and satisfied with the work they are doing. Wages and salaries may make
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important because you have to know both, what you are trying to do, and

how to go about doing it.

What we shall do, is to discuss one of the most important phases of the personnel program - employee selection - in considerable detail and then consider primarily the policy aspects of the other phases. Such an approach will save time, and should fit your needs in planning course material on personnel procedures. There is an abundance of good literature on most of the other phases of personnel work, and using the specially prepared bibliography as a starting point, you should have no difficulty in rounding out good course outlines.

It should be emphasized, however, that all personnel activities have a common objective, they are all inter-related. It is foolish, for example, to do an excellent job of employee selection and then do an indifferent job of handling the employees once they are on the payroll. Similarly, no amount of adept handling of employees will ever make up for the fact that the wrong ones were hired. Every personnel activity is important in its own right, but each one must be fitted in, balanced and integrated, with all of the other personnel activities to achieve a meaningful and effective total personnel program. While we can talk about various activities separately, they should never be considered as ends in themselves. It's rather like a Chinese puzzle which will not stay together until all of the pieces are in their proper places.

How to do about things is

What we shall do is to discuss now the most important phases of the personnel program - employee selection - in considerable detail and then consider briefly the policy aspects of the other phases. The first question will have to do with the needs in planning and the second with personnel procedures. There is an abundance of material available on many of the most phases of personnel work, and using the generally recognized bibliography as a starting point, you should have no difficulty in finding out good source material.

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II. EMPLOYEE SELECTION

Now, let's consider this matter of employee selection.

Sound employee selection is the first step in an integrated personnel program, and it is an extremely important one because it provides the foundation on which to build. Without sound initial selection of employees the rest of the personnel program is built on shifting sand.

What are our objectives in selection? What is a sound fundamental policy? First of all, the druggist must select employees who can do the jobs that are to be done. By this is meant that he must select people who are reliable, trustworthy, courteous, have a wholesome attitude, and present a good appearance and manner for the job. But that is not enough. After all, many people can do things, but are inclined not to. Therefore, the druggist should attempt to find individuals who will do their work well, and get along well with other people. So, he must look for people who not only can, but who also will do their jobs.

But if you ask many druggists why they hired a particular employee, they are apt to tell you, "Well, he needed work and I figured we could use him." It is surprising how many druggists have no systematic procedure for hiring employees. They many times hire from the heart rather than hiring employees because they can and will perform a specific service. They may talk to applicants for a few minutes and then hire strictly on a

II. EMPLOYEE SELECTION

It is a common mistake to think of employee selection as a one-time event. In fact, it is a continuous process that begins with the job analysis and continues through the hiring process. The first step in the selection process is to determine the requirements for the job. This is done by analyzing the job and the person who will be doing it. Once the requirements are known, the next step is to develop a selection procedure. This procedure should be based on the requirements of the job and should be valid and reliable. The selection procedure should also be fair and unbiased. The final step in the selection process is to hire the best qualified person for the job. This is done by comparing the candidates and selecting the one who best meets the requirements of the job.

But if you ask many druggists why they hired a particular employee, they are apt to tell you, "Well, he needed work and I figured we could use him." It is surprising how many druggists have no systematic procedure for hiring employees. They merely hire from the best rather than hiring employees because they can and will perform a specific service. They may talk to applicants for a few minutes and then hire strictly on a

"hunch" basis - unfortunately their hunches may be much more often wrong than they are right. There is no way of spotting good applicants just by the way they look or the way they act in a few minutes of casual conversation.

Selecting employees is essentially a matter of prediction. When a druggist hires a man he does so because he is predicting that man will be successful on the job - that he will become a valuable human asset to his drug store. Similarly, when a druggist turns down an applicant for a job, he is predicting that the man would fail on the job - that he would be a liability to his store.

If the druggist is to make sound predictions of job success, he must base them on facts, not on hunches or impressions. Furthermore, these facts must be complete and relevant. What is needed, therefore, is a simple yet thorough procedure for druggists to use in gathering and interpreting facts about applicants.

The following is a selection procedure which we believe you will find meets both of these requirements. We do not know of any selection system which is perfect, but by the use of the following techniques, surprisingly accurate predictions of job success have been made. These same principles of personnel selection can be used very easily by the drug store with few employees, as well as larger stores with many more

employees. The plan is basically nothing more than organized, good common sense.

A good selection program consists of the following steps:

1. First, it is necessary to make a survey of the work to be done, and then determine what sort of people are needed to do that work. It is not enough just to know job titles, in addition it is important to know exactly what the jobs involve in order to select the kind of people who can fill them successfully. By analyzing the duties and responsibilities of each job carefully and by reviewing the records as to the types of people who have been both successful and unsuccessful on that job - - a yard stick may be developed to be used in measuring future applicants for that particular job. Any drug store proprietor or store manager can do the same thing regardless of the size of his store. It is essential that he have a clear idea of what he is looking for before he tries to predict job success.
2. Second, - - engage in some active recruiting. A sufficient number of well-qualified applicants may not be available without actively looking for them. Recruiting may mean letting customers and present employees know that a new employee is needed; it may mean contacting schools and colleges; or it may mean calling employment agencies and running classified ads. A good recruiting

program not only brings in more applicants, but also those better qualified.

3. Third, - - Use a preliminary visual screening procedure to eliminate as quickly as possible those applicants who are clearly unqualified. These screening standards are based strictly on good common sense.

Eliminate those who are obviously under or over age limits for particular jobs. Also eliminate as quickly as possible those who do not have the necessary physical qualifications, who do not present a clean, tidy, wholesome appearance, and others who are obviously poor employment risks.

This preliminary procedure will not only save time, but will also assure better selection because more time will be available to consider the remaining applicants who have met preliminary screening standards.

4. Fourth - Use a detailed Application Form (sample attached following Page 15A) which is to be given only to those applicants who have passed preliminary visual screening. Such a form should reveal pertinent personal history, information about the applicant, as well as considerable detail on his previous work record and educational

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background. The application can eliminate those individuals who do not have a permanent or verifiable home address; who cannot meet educational, experience or age requirements; as well as those who are obviously floaters, moving from one job to another. In addition, it should carry the necessary information for store record keeping, such as; social security number, federal income tax withholding classification, as well as the applicants signature agreeing to conform to federal, state and local regulations pertaining to the sale of intoxicating liquors, dangerous drugs, narcotics, and other restricted merchandise.

5. Fifth - Use a Telephone Check Form to contact previous employers and schools. (Sample attached following Page 15A). Unfortunately, it is not possible to take every word the applicant says as the literal truth. Furthermore, an outside evaluation from someone who has seen the applicant on the job or in school is desirable. Therefore, Telephone Checks should be made with at least two of the applicant's previous immediate employers and also with his schools.
 - a. This is much better than checking personal references - as most everyone has at least three friends who will write flattering things about him.
 - b. Telephone checks are better than written inquiries to previous employers or schools because:
 1. People will tell things over the 'phone that they will not put in writing.

background. The application can eliminate those individuals who do not have a permanent or verifiable home address; who cannot meet educational, experience or age requirements; as well as those who are obviously liars, moving from one job to another. In addition, it should carry the necessary information for state record keeping, such as; social security number, federal income tax withholding classification, as well as the applicants signature agreeing to conform to federal, state and local regulations pertaining to the sale of intoxicating liquors, dangerous drugs, narcotics, and other restricted merchandise.

Tip - Use a Telephone Check Form to contact previous employers and schools. (Sample attached following Page 12A). Unfortunately, it is not possible to take every word the applicant says as the literal truth. Furthermore, an outside evaluation from someone who has seen the applicant on the job or in school is desirable. Therefore, Telephone Checks should be made with at least two of the applicant's previous immediate employers and also with his schools.

This is much better than checking personal references - as most everyone has at least three friends who will write flattering things about him.

Telephone checks are better than written inquiries to previous employers or schools because:

1. People will tell things over the phone that they will

not put in writing.

2. Follow-up questions may be asked if something is not quite clear.
 3. Voice inflections may give clues as to true feelings.
 4. The information can be available when needed - before the interview.
6. Sixth - Use a "Patterned Interviewer" Form or "Interviewer's Work Sheet." (Sample attached following Page 15A). This is to be filled in by the employer, to guide the discussion with the applicant in a planned and well organized manner. This Interviewer's Work Sheet provides for a brief review of the applicant's whole life - his work history, his schooling, his early family background, his financial situation, his domestic and social situation and his health.
- a. From this rather complete record it is possible to determine the patterns of his behavior.
 - b. Most people are quite set in their ways. At an early age they develop certain habitual ways of behaving, and they carry over many of these habits throughout their lives.
 - c. From the interview record can be determined whether or not an applicant has certain habits.
 1. Whether he is occupationally stable or a job hopper.
 2. Whether or not he is a hard worker.
 3. Whether he has the habit of getting along well with other people.

5. Follow-up questions may be asked if something is not quite clear.
6. Voice reflections may give clues as to true feelings.
4. The information can be available when needed - before the interview.

Step - Use a "Planned Interview" form or "Interviewer's Work Sheet." (Sample attached following Page 15A). This is to be filled in by the employer, to guide the discussion with the applicant in a planned and well organized manner. This Interviewer's Work Sheet provides for a brief review of the applicant's whole life - his work history, his schooling, his early family background, his financial situation, his domestic and social situation and his health.

From this rather complete record it is possible to determine the nature of his behavior.

Most people are quite set in their ways. As a matter of fact they develop certain habitual ways of behaving, and they carry over many of these habits throughout their lives.

From the interview record can be determined whether or not an applicant has certain habits.

1. Whether he is occupationally stable or a job hopper.
2. Whether or not he is a hard worker.
3. Whether he has the habit of getting along well with other people.

4. Whether he has the habit of finishing the things he starts in spite of obstacles.
 5. Whether he is self-reliant.
 6. Whether he is loyal.
 7. Whether he is a natural leader of others.
- d. Furthermore, it can be determined how emotionally mature he is and what his basic motivations are - why he does what he does.
- e. By using these patterns of a person's past behavior, it can be predicted what he will do in the future with surprising accuracy.

It can be summarized in two simple sentences:

1. The key to what a man will do is what he has already done, and
 2. Basic habits rarely change.
7. The seventh and last step in the procedure is the over-all rating. This merely consists of pulling together all of the information obtained from the application card, telephone check form, and the interviewer's work sheet, concerning what the applicant can do and what he will do and matching it against the requirements of a particular job. If what the individual has to offer is a reasonably

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good fit with what the job requires, the chances are much better than average that he will be a success if employed.

This down-to-earth, sensible approach to employee selection can be very successful in matching men and jobs, and the investment of time will be well spent. A crew of well selected store employees will do a number of definite things. Help increase their store sales - - through better customer service. Help increase their store's profits - - by more careful handling of equipment and merchandise, and by their accuracy and honesty. Lower store payroll costs - - by increasing their productivity through better selling. Reduce store turnover - - by their stability, interest and loyalty. Maintain store's customer confidence - - by their wholesome appearance and courteous attitude.

Due to the fact that most drug stores are not equipped to properly administer and evaluate psychological tests, nothing has been said about the merits of a testing program in this selection procedure.

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SECOND SESSION

Mr. Chairman, Ladies and Gentlemen:

In our session yesterday we emphasized the importance of employee selection procedures. The proper development and maintenance of any drug store's human assets has far-reaching effects on that store's sales, costs, and profits. It was further pointed out that good employee selection cannot be handled in a hit-or-miss, piecemeal fashion. Thorough grounding of pharmacy students in all phases of personnel administration is imperative if they are to be expected to develop and understand balanced and integrated personnel policies and procedures.

As previously mentioned, sound personnel selection is the all important first step in a good personnel program - but it is only the beginning. Other activities are necessary to be sure that the employee is properly handled on the job and makes a satisfactory work adjustment.

First of all, when an employee starts on a new job, he is apt to feel somewhat strange and unsure of himself. Therefore, adequate steps must be taken to orient and indoctrinate each new employee. For smaller stores this may involve only sitting down and chatting with him. In other stores or groups of stores it frequently involves the use of group meetings with talks, charts, and

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First of all, when an employee starts on a new job, he is apt to feel somewhat strange and unsure of himself. Therefore, adequate steps must be taken to orient and indoctrinate each new employee. For smaller stores this may involve only sitting down and chatting with him. In other stores or groups of stores it frequently involves the use of group meetings with talks, charts, and

employee handbooks. Regardless of how it is done, it should serve these purposes:

1. Provide a welcome to the new employee and make him feel that he is liked and wanted.
2. Acquaint the new employee with the store or company, its various operations, opportunities for promotions, and employee benefits, particularly as to how they apply to him, his job, his future and his security.
3. Provide the employee with information concerning store policies so that he knows what is to be expected of him.
4. Answer any questions he may have about his job, his store, or his company.

In other words, the indoctrination and orientation of new employees is designed to start them off on the right foot so that they will become real team members. There is also less chance of their leaving because of any overwhelming work situation.

To effectuate the orientation of new employees, each proprietor or store manager must decide the following about the work to be done in his store:

1. What shall be done?
2. Who shall do it?
3. How shall it be done?
4. What facilities and materials shall be used?

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2. Who shall do it?
3. How shall it be done?
4. What facilities and materials shall be used?

5. When shall it be done?

The next step is to assist new employees to become acquainted with the others in the store. This can be done by making sure that the newcomer is introduced to the people with whom he is going to work, and by having one of the store's capable employees act as his sponsor, or big brother. The sponsor makes sure that the new employee becomes acquainted with the store's facilities, procedures and customs, and that he is always available to answer questions. Furthermore, the store manager or proprietor should check back with each new employee within a few days to see how he is getting along and to clear up any problems or misunderstandings which may have developed.

Now, all of this may sound rather simple and elementary, but it is surprising how many proprietors and store managers just place a new employee on a job and let him sink or swim by himself. Experience has shown that the greatest turnover occurs the first day an employee is at work.

Another important phase is the provision of sufficient and proper training for new employees. Even if a drug store hires only experienced people, there is a certain amount of training to be done, since no two stores or no two companies do things in exactly the same way.

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There has been a great deal of work done in the field of training, and much is known of the best ways to handle various training problems. As educators you are familiar with sound teaching principles and methods of instruction. Your retail pharmacy graduates will need to apply these same principles if they are to be successful.

The success or failure of a drug store is held in the hands of its employees. This being true, it is worthwhile to spend the necessary time to properly train and develop them.

Training in any drug store is merely teaching employees to do their work, in the correct way. What they do reflects the way the druggist wants it done and they will rarely exceed the standards set up. They will follow good examples if they are taught how and encouraged to do so, and thus should be enabled to earn more for themselves by producing more. A group of employees properly trained and supervised by a capable druggist will do a much better job than those same employees under weak supervision. Under intelligent supervision they will be more efficient, courteous, and satisfied, thus giving the kind of service which will bring customers back again. Employees progress rapidly under good leadership.

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The cost of training is an investment the same as store equipment and merchandise. Equipment itself does not guarantee a profit, but its proper use will bring good returns. Training in itself will not guarantee a profit but training properly used and followed up will return increased sales and profits. Through training can be instilled correct attitudes, skills and habits. Training is not a substitute for good management but it will make management more effective. It should be remembered that most employees want to do the right thing if they know what is wanted. The greater the efficiency of salespeople the lower any store's selling costs become.

Five things are being sold in every drug store:

1. An atmosphere of cleanliness and friendliness.
2. Quality merchandise.
3. Friendly courtesy.
4. Good service.
5. Customer confidence.

Each of these five points can be strengthened by good methods of training.

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atmosphere will be the direct result of the training given to employees in that store. Teach employees exactly what is wanted and they'll help maintain that kind of a store.

Another reason why customers patronize certain drug stores is because those stores stock quality merchandise. Employees can be taught to respect the merchandise they sell by proper handling, by correct price marking, by attractive displays, and by seeing that it is kept in the best possible condition so that it will sell readily and give customers the values they are looking for.

Each customer entering a store looks forward to being treated with consideration by a smiling, courteous salesperson and also expects good, fast service. Training can help implant in each employee the desire to give outstanding customer service.

Drug stores must earn the confidence of their customers, inasmuch as they are on a higher plane than other retail stores due to their professional standing. Customer confidence is the most precious asset a store can have. This confidence can be maintained and improved through the careful indoctrination of employees who always follow the examples as set by the proprietor or manager.

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well planned displays; wholesome salespeople; a courteous greeting for each customer; quality, fresh, clean, properly priced merchandise; and prompt, efficient service; a store can be assured of the continued confidence of its customers.

Training offers many opportunities for employees to help improve themselves. It is economical as well as profitable to train them properly rather than just allow them to go ahead and shift for themselves in a haphazard manner. An employer cannot afford to let employees do their work in just any old way, it costs him too much.

It costs in waste of merchandise.

It costs in misuse of equipment.

It costs in lost sales.

It costs in loss of customers and future business.

By intelligently teaching, productivity is increased, employee turnover reduced, errors eliminated, costs lowered and attitude toward customers improved. Any store is rated by the performance of its weakest member who is a direct reflection of the management.

All druggists should follow this slogan, "If I have taught him, he can do it." He must say to himself, "If he has not learned how

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to do it, then I have not taught him how to do it." Remember the way employees act in a store is due to the way they have been taught. A druggist's success rests on his ability to train his employees, however, even the finest job of training will not last without the necessary follow-through.

Salespeople should know that selling includes their customers, their store and their merchandise, as well as themselves, that in order to sell merchandise, they must sell themselves through their personality and wholesome appearance. Their physical appearance is also important and they must look the part to sell successfully. Salespeople who are careful in their appearance and have a pleasant manner, can readily gain the confidence of their customers.

Correct mental attitude of employees is extremely important, probably the most vital single factor in success. They should be made to realize that their customers pay their salary and that they are to be pleasant and helpful at all times. They should be encouraged to call each customer by name if possible and to say "thank you" and really mean it, upon the completion of each sale.

Store employees should be helped to answer the following questions correctly:

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Am I courteous?

Is my department neat and orderly?

Does my department look fresh, clean, and well merchandised?

Do I know what I should know about my merchandise?

Do I properly handle and show merchandise?

Am I giving friendly service?

Do my customers come back and ask for me?

Salespeople should respect the merchandise they are selling. They should also know how to intelligently suggest merchandise, how to sell companion, and special items. Considerable information about the merchandise for sale in a drug store can be gained by studying the various trade journals, literature put out by manufacturers in the form of booklets and pamphlets, selling points that are printed on and contained in packages. Don't let salespeople feel, however, that product information is all they need to know, because proper customer approach, correct handling of merchandise, as well as methods of selling, are also extremely important.

Training may be done individually or in groups. When a new employee is put on the job, it may be necessary to give him individual training; but information about new procedures or merchandise, special sales, etc., may well be given in small groups.

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Employees are anxious to learn, and want to do their jobs in a better manner. They like group discussions and fifteen or twenty minute meetings on subjects which will help them are welcomed. They like constructive meetings, not ones where they are being scolded or criticized for something they may or not have done wrong. Remember, if they've done something in the wrong way it's probably because they weren't taught the correct way in the first place.

Employee compensation. - - The objectives here should be to assure that compensation is adequate, internally consistent, and in line with going rates in the area for the type of work being done.

There are a number of ways of doing this:

1. Determine the relative worth of various jobs and set up a systematic wage plan which fits those jobs, by establishing minimum and maximum rates for each.
2. Determine what wages are being paid and what benefits are available to employees of other concerns in the community.
3. Make a systematic, regular review of each employee's pay status.

To help pharmacy graduates establish sound compensation plans, they should learn the rudiments of these procedures. Otherwise

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the old problem of "the wheel that squeaks the loudest gets the grease" will plague them, and they will be inviting high turnover, low productivity and poor morale.

Drug store managers or proprietors should periodically appraise the performance and standing of their employees. The primary purpose of this periodic appraisal is to encourage store managers and proprietors to think about their employees as individuals so that they may direct them most effectively, take constructive action to assist their performance and development, and see that the ones doing a good job are being properly compensated.

An often overlooked phase of a sound personnel program is the practical application of good employer-employee relations. A successful drug store operator practices good human relations. He gains the confidence and cooperation of each one of his store employees. He is one who continuously directs, trains, encourages and helps them in order that they, the store, and he, himself may benefit. He gets his employees to do what he wants done, in the manner he want it done, when he wants it done, all in a way they will want to do it.

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He is a real leader when he counsels with his store crew, coaches them, creates enthusiasm, says "We", corrects mistakes, shows how things should be done, makes work pleasant and builds good will. In return he receives loyalty, enthusiasm, courtesy, co-operation, respect for himself and his ideas, confidence in his leadership, and an honest day's work from his employees.

Retail druggists should establish definite policies regarding employee benefits and facilities. Such policies should cover vacations, sick leaves, leaves of absence, insurance of various types, hours of work, dressing rooms, lockers and toilet facilities. Even the store with few employees should have definite policies in this area, and all pharmacists should be aware of the state and federal laws which may affect these policies.

Provision should also be made for a systematic method of determining personnel status changes. Determine the proper bases for promotion, demotion, transfer, lay-off and discharge of employees. Consideration should be given to the initial employment interview findings, sales results, length of service and similar factors.

The final part of a good drug store personnel program is the maintenance of adequate personnel records. Druggists are required by law to keep certain records of their employees and there are

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In summary: The major topics which would be desirable for study by future retail pharmacists are:

- I. What personnel administration is and why it is important for retail drug stores to have sound personnel policies and procedures.
- II. The need for a reasoned, balanced and integrated personnel program so that every phase of the building and maintenance of a stable, productive and satisfied work force will receive adequate attention.
- III. As to the personnel program itself, the following areas should be covered, both from a policy and a procedural standpoint:
 - A. Sound employee selection
 - B. Adequate indoctrination and orientation of new employees
 - C. Sufficient and proper training of employees
 - D. Adequate and sound employee compensation
 - E. Periodic appraisal of the performance and standing of each employee
 - F. Good employer-employee relations
 - G. Provision of necessary employee benefits and facilities
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 - G. Provision of necessary employee benefits and facilities
 - H. Sound personnel status change procedures
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A course covering these subjects should be helpful in preparing pharmacy students to become "personnel conscious" and give them a basic grounding in sound personnel procedures.

Personnel administration is a broad and rapidly growing field. More and more retail drug stores have come to realize how much their success depends on their employees. They have discovered that in a very real sense people are their business.

* * * * *

A course covering these subjects should be helpful in preparing pharmacy students to become "personnel conscious" and give them a basic grounding in sound personnel procedures.

Personnel administration is a broad and rapidly growing field. More and more retail drug stores have come to realize how much their success depends on their employees. They have discovered that in a very real sense people are their business.

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MERCHANDISING PROCEDURES & PROBLEMS

J. O. Peckham
A. C. Nielsen Company

RESEARCHES IN PHYSICS & CHEMISTRY

J. D. Thomson
A. C. Williams Company

MERCHANDISING

by

J. O. Peckham
A. C. Nielsen Company

Before I get into my subject for this afternoon, "Merchandising," I'd first like to say that A. C. Nielsen Company is very glad indeed to have this opportunity of presenting this information to you. I do want to confess right at the outset that we don't consider ourselves experts in this particular field. In connection with our work, however, we have observed experts in the field of drug retailing and hence my job this afternoon, as I see it, is merely to pass along some of the things we've seen in connection with our day-to-day work of auditing the movement of drug store merchandise.

As some of you may know, we've had the privilege of making bimonthly audits on the consumer sales, retailer purchases and retail inventories of nationally advertised merchandise and its competition in a cross section of some 750 U. S. drug stores since 1933--some 16 years. Much of this information has been used to help manufacturers reduce marketing costs, much has been passed along to retailers, and on several occasions we have had the pleasure of presenting some of the things we have learned to meetings such as this.

I'd like to introduce this subject by calling your attention to the trend of retail drug store sales since 1939 and the extent to which this trend has been matched or bettered by other types of retail outlets that compete with the retail drug store for the consumer's dollar, because I believe this analysis will indicate the need for better and more effective merchandising of products sold through the retail drug store.

Once we have established the need for better merchandising in the retail drug store, we will next make a survey of the drug store plant--its store fixtures, prescription department, extent of departmentalization, etc., in order to determine the degree to which drug stores today are in a position to compete for the trade of Mr. and Mrs. Consumer. This analysis will in itself lead to some suggestions along the lines of better merchandising and will set the stage for additional thoughts along this line which will conclude our observations on this subject.

Let's first look at the drug store sales trends from 1939 through 1949. (Please turn to Chart I - "Drug Store Sales Trends 1939-1949")

This is a picture of retail drug store cash register sales. During the most recent year, sales totaled \$3,653,000,000--about the same volume

MEMORANDUM

J. E. Feltman
A. C. Nielsen Company

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As some of you may know, we've had the privilege of making direct contact with the consumer sales, retailer purchases and retail inventories of nationally advertised merchandise and its competition in a cross-section of some 750 U. S. drug stores since 1935--some 15 years. Much of this information has been used to help manufacturers reduce marketing costs, which has been passed along to retailers, and on several occasions we have had the pleasure of presenting some of the things we have learned to meetings such as this.

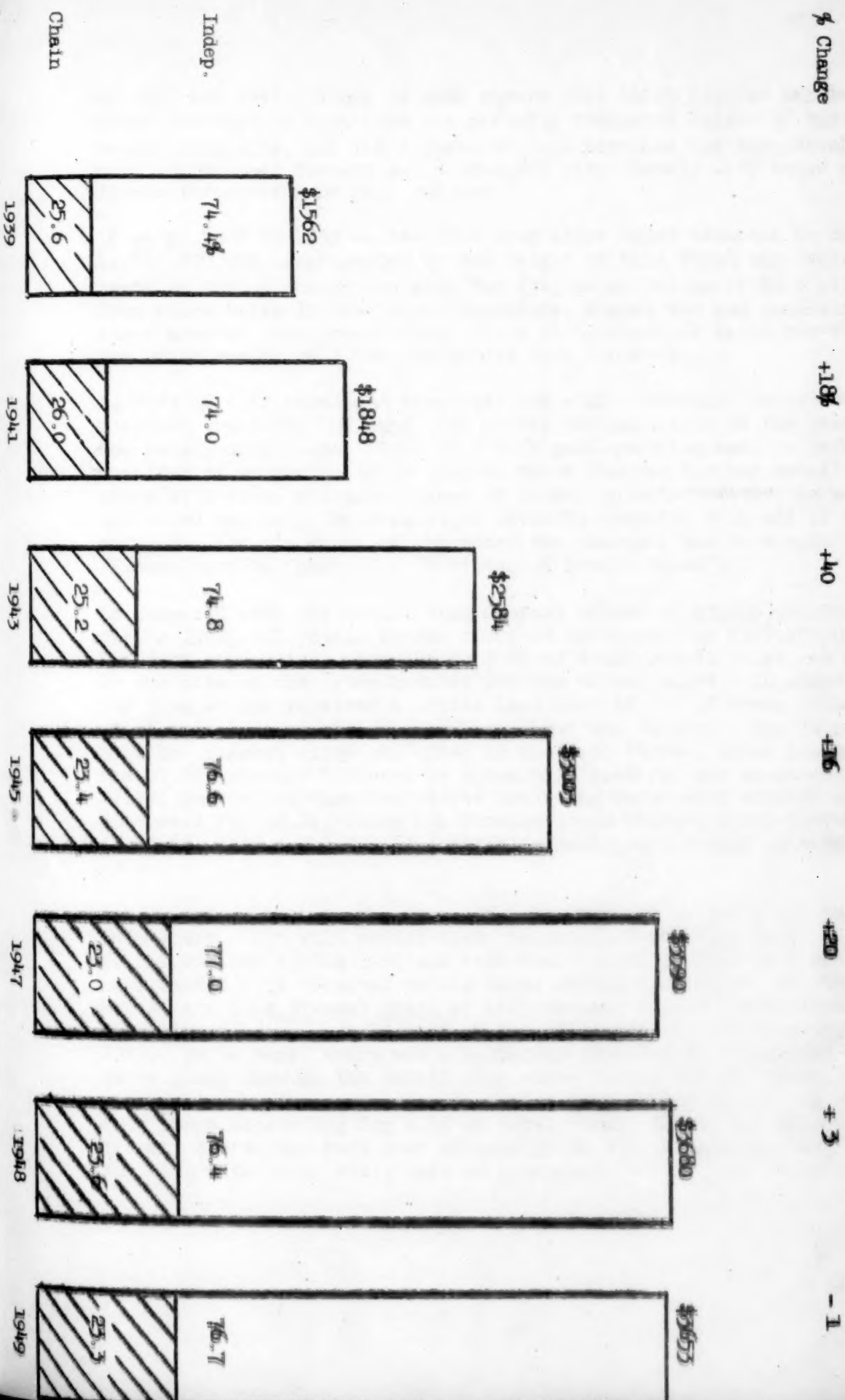
I'd like to introduce this subject by calling your attention to the trend of retail drug sales since 1935 and the extent to which this trend has been related or patterned by other types of retail outlets that compete with the retail drug store for the consumer's dollar. Because I believe this analysis will indicate the way for better and more effective merchandising of products sold through the retail drug store.

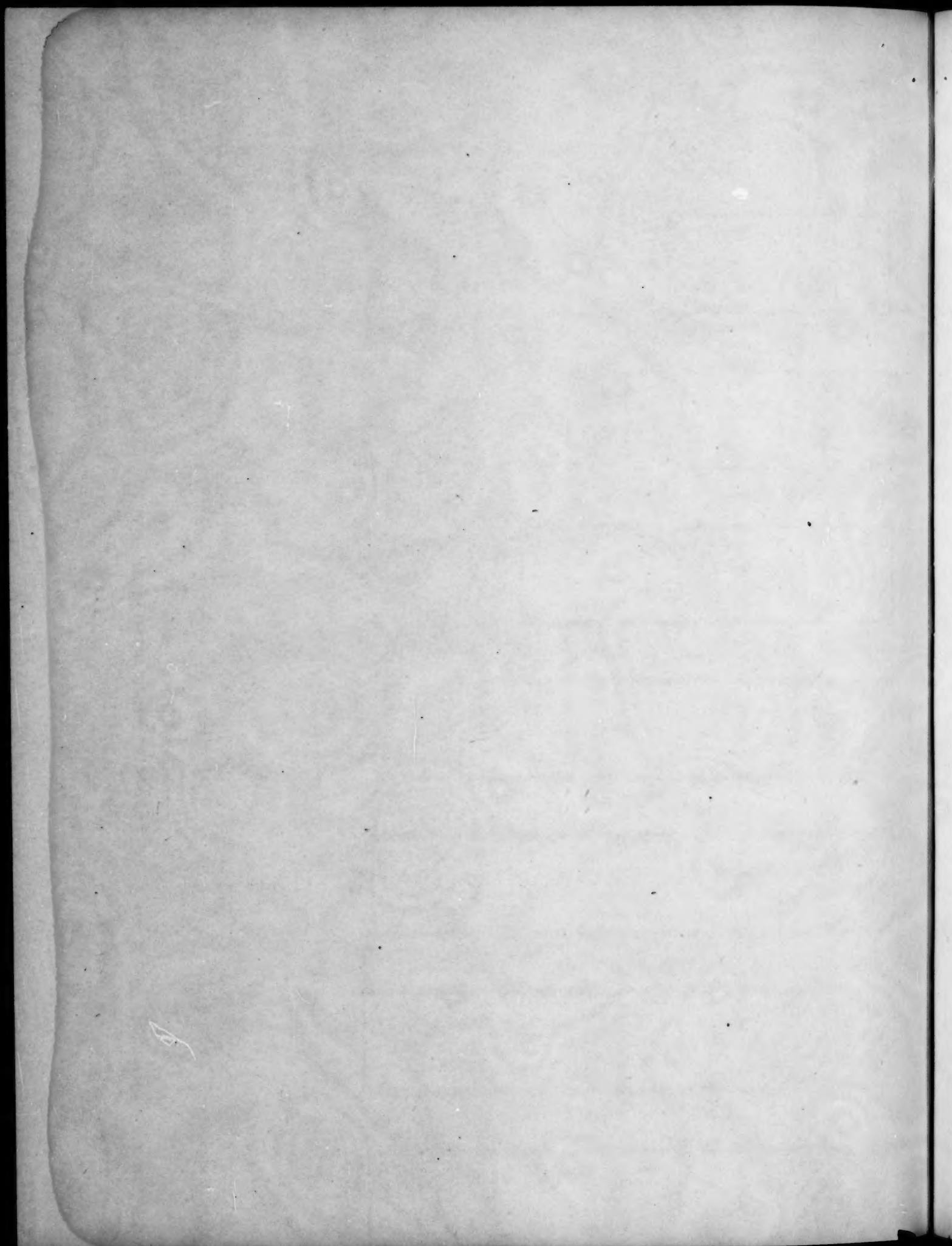
Since we have established the need for better merchandising in the retail drug store, we will make a survey of the drug store plant--its store fixtures, presentation department, extent of departmentalization, etc. In order to determine the degree to which drug stores today are in a position to compete for the trade of Mr. and Mrs. Consumer. This analysis will be itself part of some suggestions along the lines of better merchandising and will set the stage for additional thoughts along this line which will conclude our observations on this subject.

Let's first look at the drug store sales trends from 1935 through 1949. (Please turn to Chart I -- "Drug Store Sales Trends 1935-1949")

This is a picture of retail drug sales and register sales. During the most recent year, sales totaled \$5,657,000--about the same volume

DRUG STORE SALES TREND 1939-1949
(Annual Basis (000-000))





as 1948 and 1947. There is some chance that these figures may be revised somewhat as data from the recently completed Census of Business become available, but the figures you see here are the ones developed by A. C. Nielsen Company and correspond very closely with other published information on this subject.

If we go back to 1939 we see that drug store sales amounted to only \$1,562,000,000--represented by the height of this first bar--which leads us into a comparison with the 1949 sales volume of \$3.6 billion. Drug store sales in 1949 were, therefore, almost two and one-half times greater than prewar 1939--truly an outstanding sales record and one which speaks well for the retail drug industry.

In view of this excellent progress, one might naturally raise the question regarding the need for better merchandising on the part of the retail drug store. This is a very good question and, in order to consider it properly, let's compare these figures for the retail drug store with those for other types of retail outlets because, as we've indicated earlier, the drug store actually competes with all of these retailers for its share of the money the consumer has to spend. (Please turn to Chart II - "Division of Retail Sales")

As compared with the retail drug stores' volume of \$3,653,000,000 during 1949, all retail stores combined accounted for \$128,183,000,000. The drug stores thus amounted to 2.8% of total retail sales, as shown by the size of the cross-hatched portion of our chart. In other words, the drug stores received a little less than 3¢ out of every dollar spent in retail establishments throughout the country. You'll note that the biggest slice was taken by the food stores, which accounted for 23.6¢; closely followed by automobile dealers, who accounted for 17.7¢; general merchandise stores including department stores, which accounted for 10.8¢; other non-durable goods stores, which accounted for 9.1¢; eating and drinking establishments, which rang up 8.8¢, and so on.

Let's next go back to the year 1939, represented by the first bar on this chart. You will recall that the retail drug store sold \$1,562,000,000 during 1939 and this chart tells us that this amount represented 3.7% of total retail sales during that year. In other words, the drug stores' share of the consumer dollar has declined from almost 4¢ to less than 3¢ in the 10-year period between 1939 and 1949. To be sure, there was a temporary increase in the amount of sales going through the retail drug store during the war years, as represented by the center bar depicting 1943, where we see the retail drug store accounting for 4.3% of total retail sales, but this was largely due to the fact that durable goods such as automobiles, building materials, etc., were not available.

in 1943 and 1944. There is some doubt that these figures may be as high as those reported in the monthly compiled Census of Business and Commerce, for the figures for the year 1943 are the most developed of the figures reported and correspond very closely with other figures.

It is possible that the figures for 1943 are somewhat inflated to only \$1,100,000,000, representing the total of the first four months. It is also possible that the figures for 1943 are inflated to \$1,500,000,000, representing the total of the first four months. It is also possible that the figures for 1943 are inflated to \$1,800,000,000, representing the total of the first four months. It is also possible that the figures for 1943 are inflated to \$2,100,000,000, representing the total of the first four months.

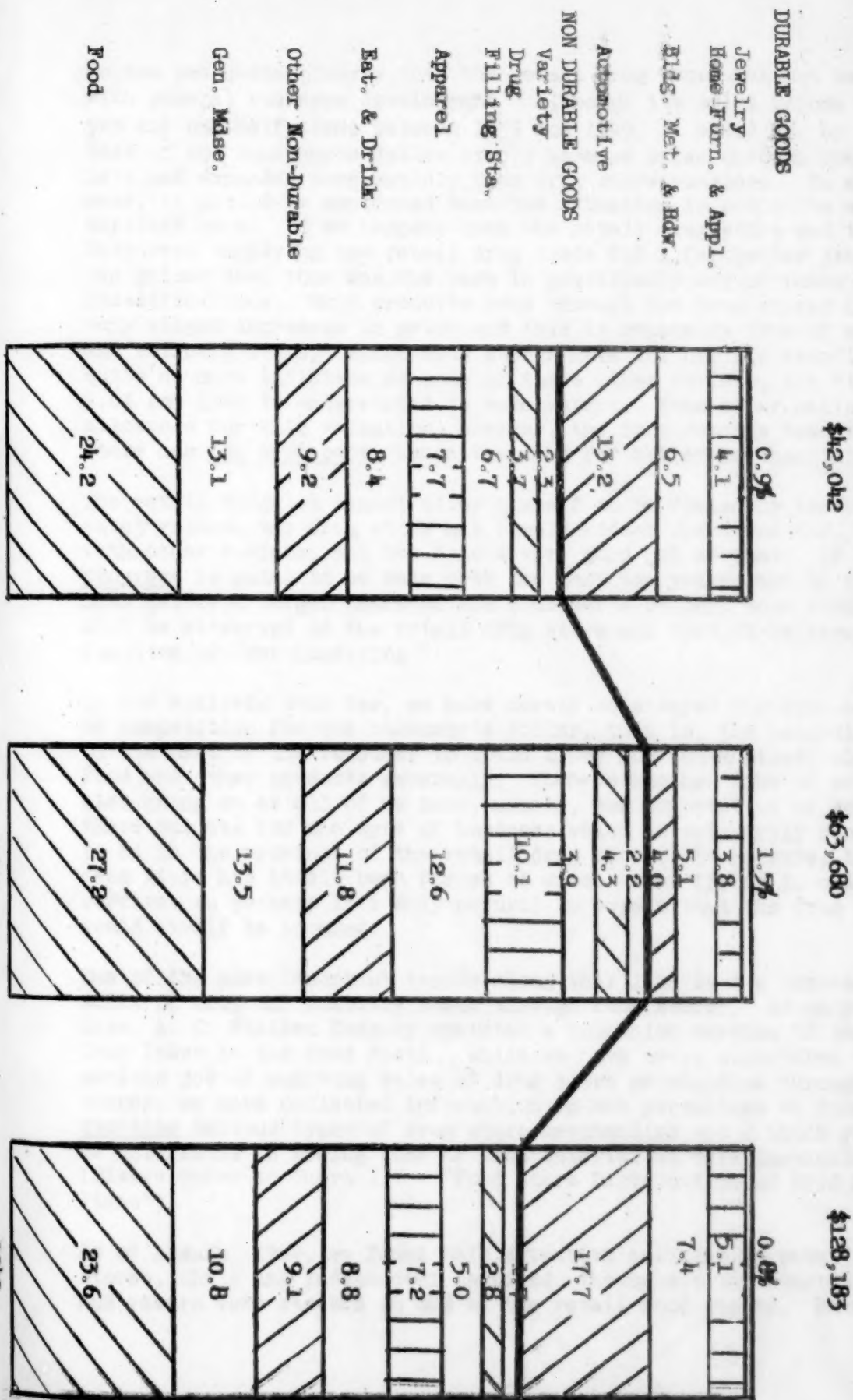
It is also possible that the figures for 1943 are inflated to \$2,400,000,000, representing the total of the first four months. It is also possible that the figures for 1943 are inflated to \$2,700,000,000, representing the total of the first four months. It is also possible that the figures for 1943 are inflated to \$3,000,000,000, representing the total of the first four months. It is also possible that the figures for 1943 are inflated to \$3,300,000,000, representing the total of the first four months.

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Chart 2

DIVISION OF RETAIL SALES
Millions of Dollars



SYSTEMS OF MEASUREMENT
DIAGRAM OF MEASUREMENT

1000 lbs

1000 lbs

1000 lbs

MEASUREMENT

1000 lbs
1000 lbs
1000 lbs

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1000 lbs



We now see quite clearly that the retail drug store has not kept pace with general business development. Although its sales volume increased two and one-half times between 1939 and 1949, it ended up by getting less of the consumer's dollar simply because sales through other outlets had expanded more rapidly than drug store business. In all fairness, it should be mentioned that the situation is not quite as bad as depicted here. It so happens that the retail drug store and the manufacturers supplying the retail drug trade did a far better job in keeping prices down than was the case in practically any of these other classifications. Many products sold through the drug stores have had only slight increases in price and this is generally true of many drug and toiletry items. Since drug stores have not had the benefit of quite as much inflation as some of these other outlets, the figure of 2.8% for 1949 is understated to some extent. Even after making some allowance for this situation, however, the fact remains that the drug store has not kept pace; hence the need for better merchandising.

The retail druggist cannot allow himself to be fooled by today's high sales volume; the drug store has simply ridden the trend and, compared with other outlets, has not done a very good job at that. If real progress is going to be made over the next ten years, and by that I mean getting a larger share of the consumer's dollar, more business must be attracted to the retail drug store and that, I believe, is the function of "Merchandising."

In our analysis thus far, we have merely considered the over-all effect of competition for the consumer's dollar, that is, the natural desire on the part of the consumer to spend money for automobiles, clothes, food and other products generally. There is another type of competition also going on as all of us know, namely, the competition of some of these outlets for the type of business which is ordinarily considered to be in the province of the retail drug store. To be sure, the retail drug store has itself been forced to enter other fields in order to survive, so perhaps it's only natural to expect that the drug store would itself be invaded.

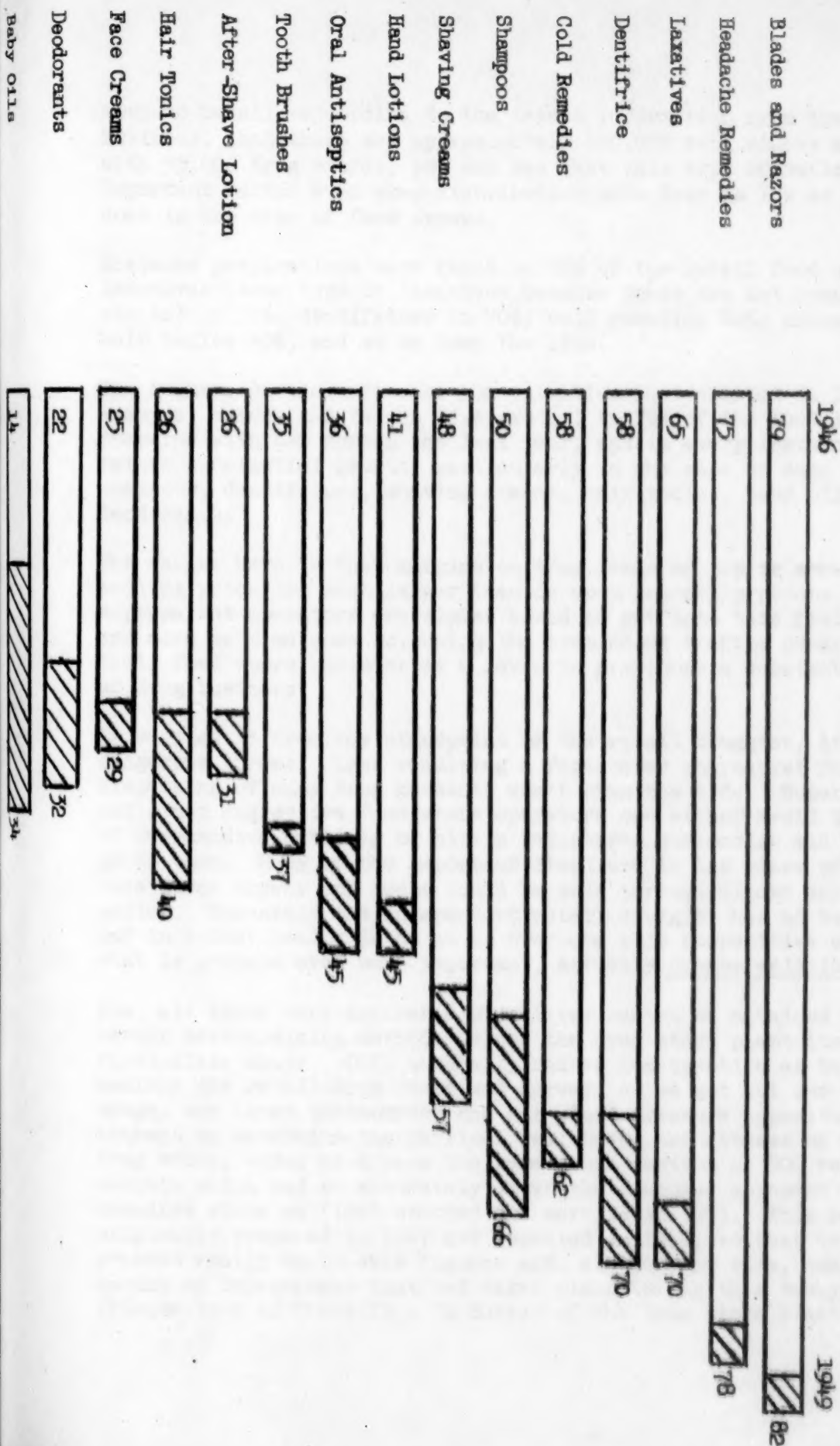
One of the more important trends along this line is the increase in sales of drug and toiletry items through food stores. As many of you know, A. C. Nielsen Company operates a companion service to the Nielsen Drug Index in the food field. While we have never undertaken the tremendous job of auditing sales of drug store merchandise through food stores, we have collected information on the percentage of food stores stocking various types of drug store merchandise and I think you might be interested in seeing some of that material at this particular time. (Please refer to Chart III - "Food Store Distribution of Drug Store Items")

As of August, 1949, we found this situation existing in retail food stores, chain and independent combined, throughout the country. Blades and razors were stocked in 82% of the retail food stores. When you

FOOD STORE DISTRIBUTION OF

DRUG STORE ITEMS

Per Cent of Stores



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 and other distribution in

stop to recall, according to the latest information from the Census of Business, that there are approximately 400,000 such stores as compared with 55,000 drug stores, you can see that this type of outlet is an important factor even when distribution gets down as low as 29%, as it does in the case of face creams.

Headache preparations were found in 78% of the retail food stores; laxatives (some type of laxatives because these are not complete stocks) in 70%; dentifrices in 70%; cold remedies 62%; shampoos 66%; hair tonics 40%, and so on down the line.

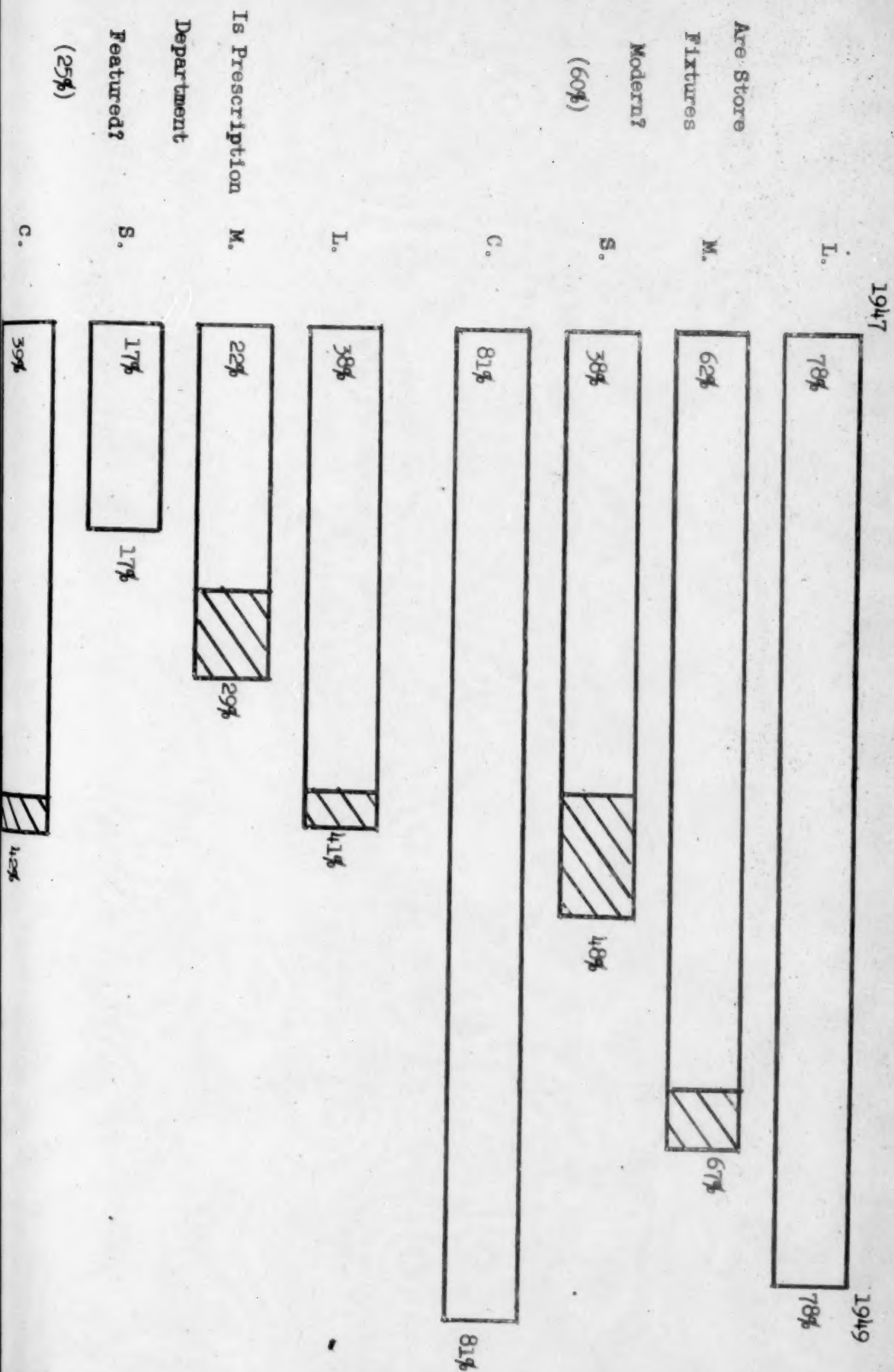
The figures on the left show the situation that existed in 1946. For example, blades and razors were stocked in 79% of the food stores as compared with 82% during the last year, and in every instance you see a rather substantial growth, particularly in the case of such products as shampoos, dentifrices, shaving creams, hair tonics, baby oils and deodorants.

The danger here is that margins on drug items of 30% or more on the selling price are much larger than on most grocery products. Hence, supermarket operators are almost bound to get into this field more and more as time goes on, using the tremendous traffic generated by their food store business as a lever to pry loose a substantial chunk of drug business.

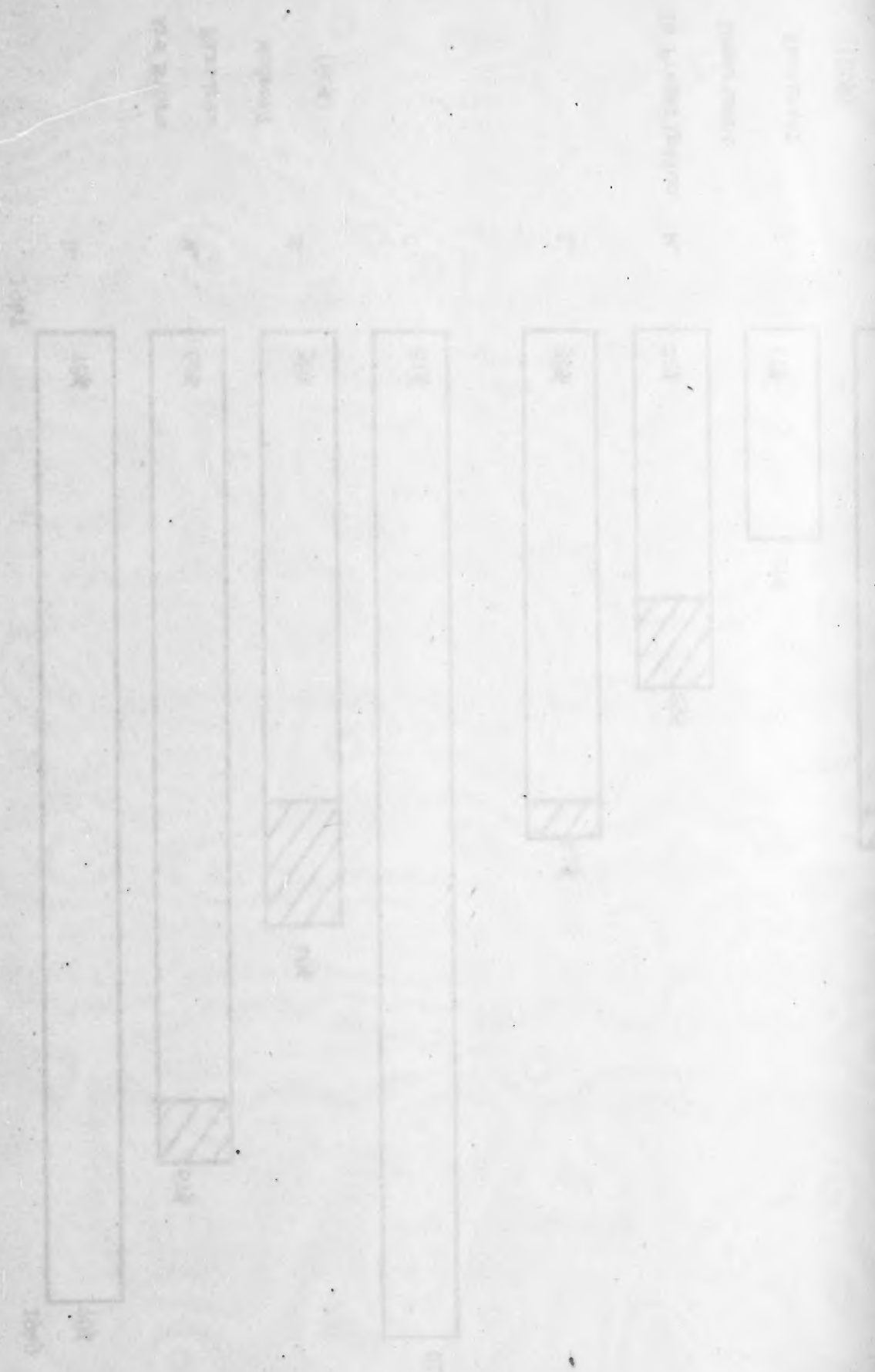
As we view it from the standpoint of the retail druggist, it is a dangerous threat. Laws requiring a registered pharmacist for the dispensing of many drug products won't stem the tide. Supermarkets and other aggressive food store operators can either avoid this class of merchandise entirely or hire a registered pharmacist and really go to town. Many of the important items are in the class of personal care items anyway and hence could be sold through almost any type of outlet. Certainly the independent retail druggist has to be strong and in robust health if he is to overcome this competitive effort and, what is perhaps even more important, actually create additional business.

Now, all these very desirable objectives cannot be attained through better merchandising methods unless the drug store plant itself is in first-class shape. This naturally raised the question as to just how healthy the retail drug store was anyway, so we got out our stethoscope, our fever thermometer and our blood pressure apparatus in an attempt to determine the physical well-being and fitness of the retail drug store, using as a base the same cross-section of 800 retail outlets which had so accurately shown the consumer movement of merchandise since we first started the service in 1933. This report was originally prepared in 1947 and repeated in 1949, so that we could present really up-to-date figures and, at the same time, measure the amount of improvement that had taken place during this two-year interval. (Please turn to Chart IV - "A Survey of the Drug Store Plant - I")

A SURVEY OF THE DRUG STORE PLANT - I



A CHART OF THE DATA HEREIN



Let's look at this first point "Are store fixtures modern?" Now I realize there is considerable room for difference in interpretation here and I hasten to explain that this analysis does not mean that the latest streamlined equipment must be employed. All we are trying to find out is simply whether the retail druggist is really modernizing his place of business, or whether he is trying to handle his trade on a "Gay Nineties" basis. I think the record here is reasonably good, all things considered. Taking into account all sizes of drug stores, chains and independents combined, we found that 60% of the stores could be considered as having really modern, up-to-date store fixtures.

This first section labeled "L" refers to large independent stores-- stores in the \$125,000 and up range. Note that 78%--almost 8 out of every 10--had modern fixtures.

The second section labeled "M" shows the situation among stores in the medium range, say from \$50,000 to \$125,000 annual volume, and here we note that 67% had modern equipment. This cross-hatched section shows the extent to which this situation has improved since 1947; in 1947 only 62% of the medium size stores had modern fixtures, so we have a gain of 5 percentage points here.

The third section marked "S" represents the smaller stores doing less than \$50,000 annual volume, and here we see that 48%, or almost 5 out of every 10, had up to date equipment. The improvement since 1947 has been most marked in this group since only 38% of the small stores were considered as having modern equipment two years ago.

The fourth section labeled "C" shows the situation among chain stores. Here 81% of the stores had modern equipment--a figure which makes that of 78% for the large independent stores look very good indeed.

As far as store fixtures are concerned, therefore, we think the drug store plant is in pretty good shape.

According to our observation, there seems to be some trend toward the use of an "open" prescription room, where the customer has an opportunity to actually watch the pharmacist compound prescriptions, or where the customer can look into the prescription room through either an open or glass front. Our examination showed that 25% of the stores had a prescription department of this type--with the best showing among the large independent stores and chain outlets, with 41% and 42%, respectively. The largest growth, however, was among the medium sized stores, which had increased from 22% in 1947 to 29% currently. Small outlets--in the less than \$50,000 annual volume range--lagged decidedly with only 17% having this feature.

With approximately 15% of total drug store sales in the prescription department alone, and with the opportunity prescriptions provide for

Let's look at this first point. The word "independent" is used in two different ways. It can mean "not connected" or "not controlled". In the first sense, it means that the organization is not connected to any other organization. In the second sense, it means that the organization is not controlled by any other organization. The word "independent" is used in both senses in the text. It is used to describe the organization's relationship with other organizations and its relationship with its members.

The first sense of the word "independent" is used in the text to describe the organization's relationship with other organizations. It is used to say that the organization is not connected to any other organization.

The second sense of the word "independent" is used in the text to describe the organization's relationship with its members. It is used to say that the organization is not controlled by any other organization.

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added business on other items, it would appear that many stores have a real opportunity to build more business through better and more attractive prescription departments. Of course, this will not help the retail drug business as a whole since there are only so many prescriptions to be filled. The point I have just made reminds me of the explanation given by a somewhat harrassed grammar school principal to an irate mother who wanted to know why her Johnnie was not in the upper half of the class. "After all," said the principal, "only half of the children can be in the upper half of the class!" All I can say here is simply that the smart and able merchandisers are going to see that their stores are in the top half as far as prescription business is concerned.

We next come to a situation which is pretty much on the unfavorable side. I refer to the rather limited extent to which independent retail drug stores advertise either by means of newspapers, handbills, postcards sent to customers, etc. (Please turn to Chart V - "A Survey of the Drug Store Plant - II")

Note that only 34% of the large independent outlets, 25% of the medium and 8% of the small drug stores had adopted some form of advertising to actually bring customers into the store rather than wait for them to come of their own accord. This compares with 89%, or almost 9 out of every 10, in the case of chain stores. I realize that most independent druggists cannot afford full pages in the local newspaper once or twice a week, but this is not necessarily implied when we speak of advertising. All types of independent outlets seem to be woefully weak on this point, with the medium and small stores, for the most part, doing nothing to create customers. Furthermore, there has actually been a slight decline in the number of stores advertising since our first check in 1947. In connection with advertising, a little later on we will attempt one or two suggestions within the means of the independent druggists which some of you might find helpful.

We have also noted a rather decided trend toward the use of visible shelf prices, so that the customer can readily see exactly how much he is paying for a given article before the carton or package is removed from the shelf. Twenty-five per cent of the stores have adopted this practice--with the chains way out ahead in 72% of their stores having visible shelf prices. Only 35% of the large stores, 26% of the medium stores and 15% of the small stores clearly indicate their prices in this particular manner. Here is another case where there seems to be decided room for improvement, particularly since supermarkets and progressive food stores, syndicate stores, department stores, etc., are really creating a trend in this respect.

How about departmentalization? (Please turn to Chart VI - "A Survey of the Drug Store Plant - III")

A SURVEY OF THE DEPT STORE PLANT - II

Stores Using
Advertising.
(20%)

Are Shelf
Prices
Visible?
(25%)

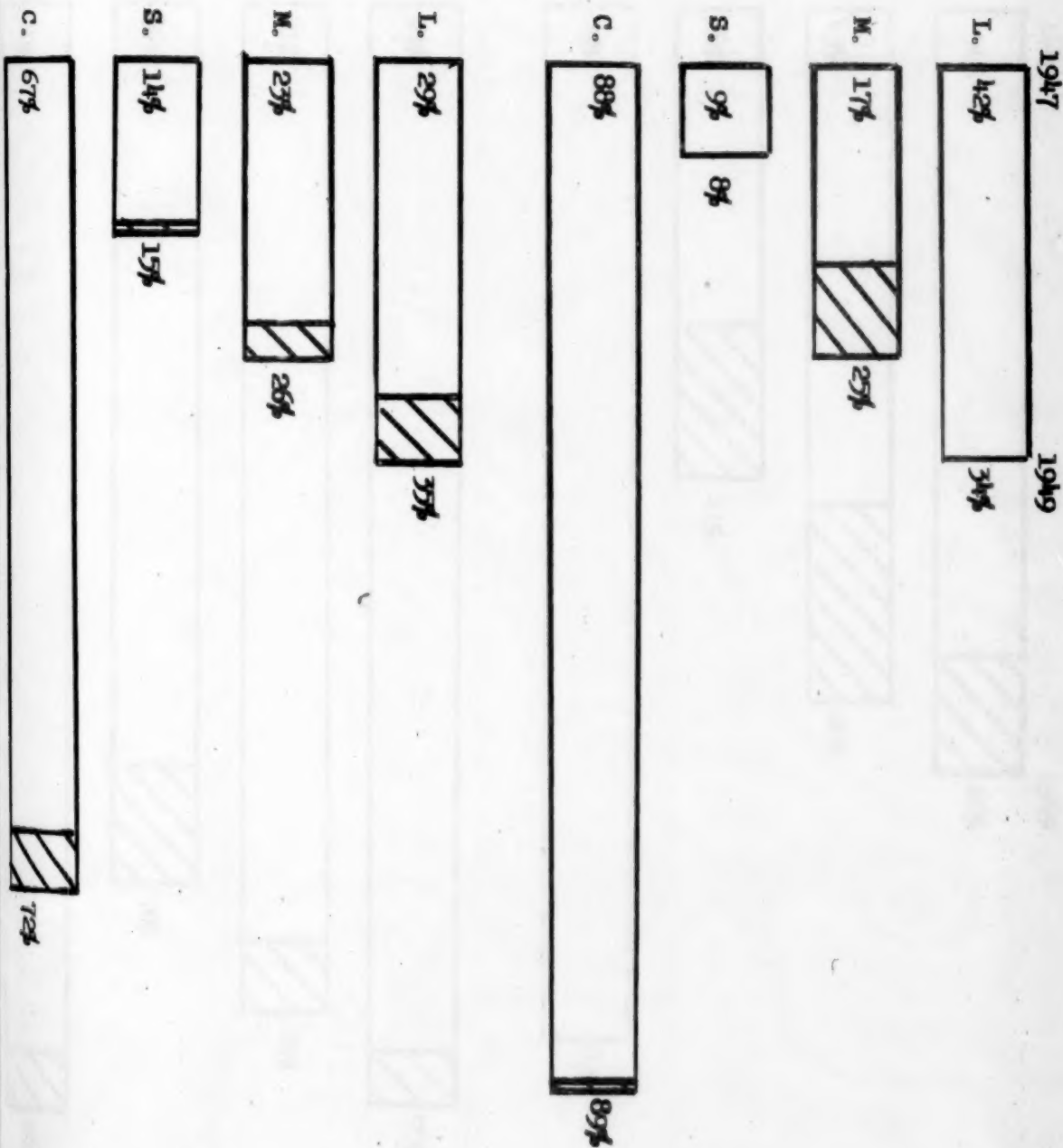
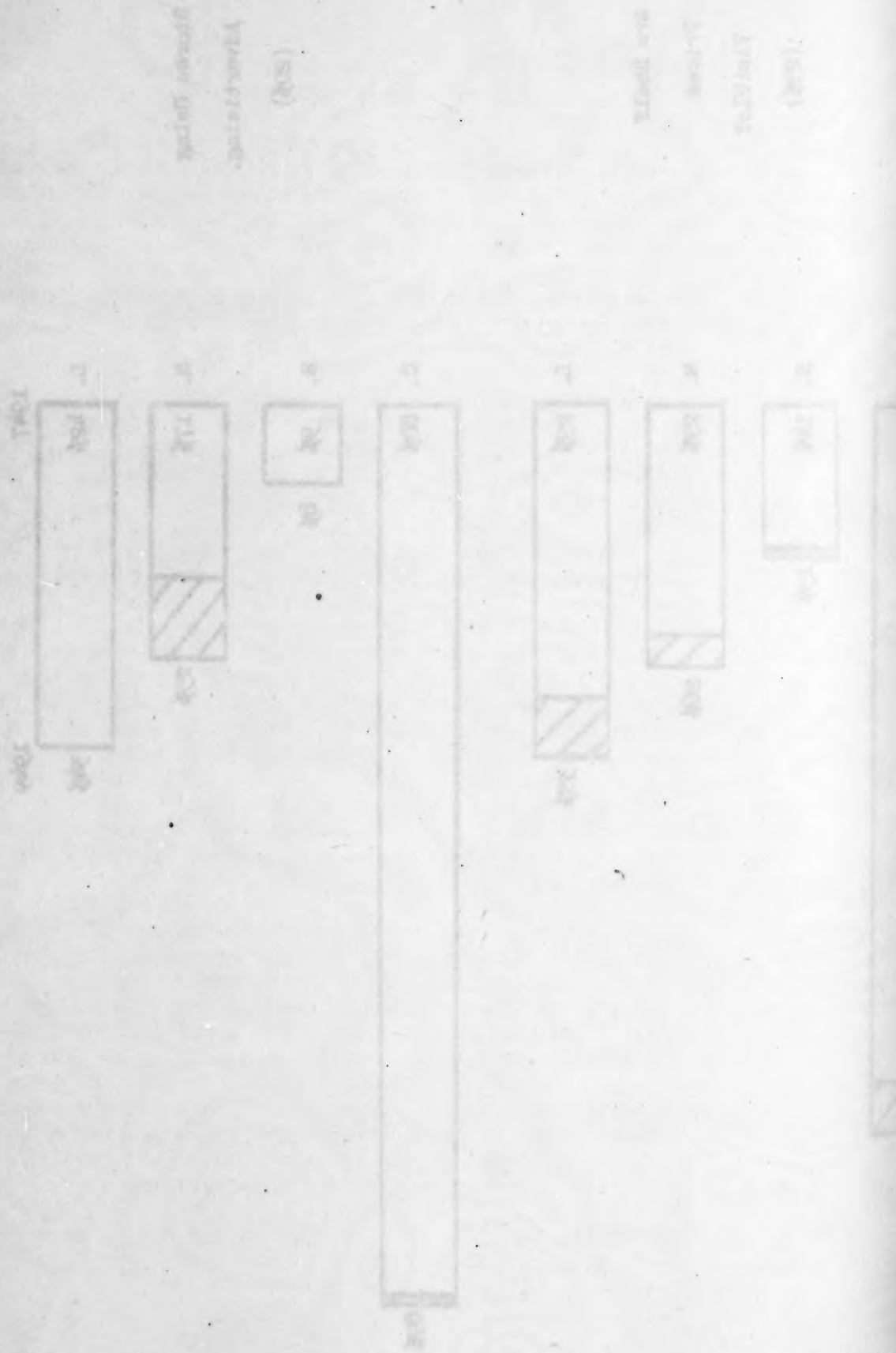
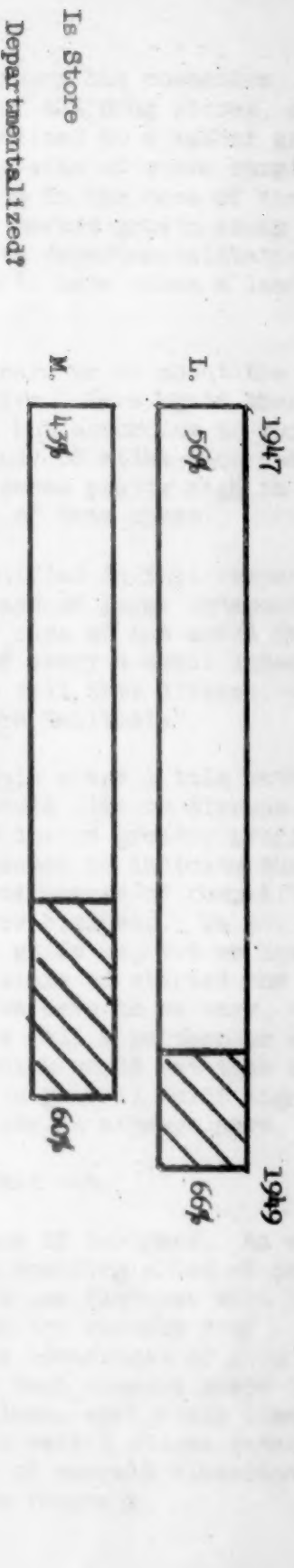


TABLE 1. SUMMARY OF DATA FOR THE 1980-1981 FISHING SEASON



A SURVEY OF THE DRUG STORE PLANT - III



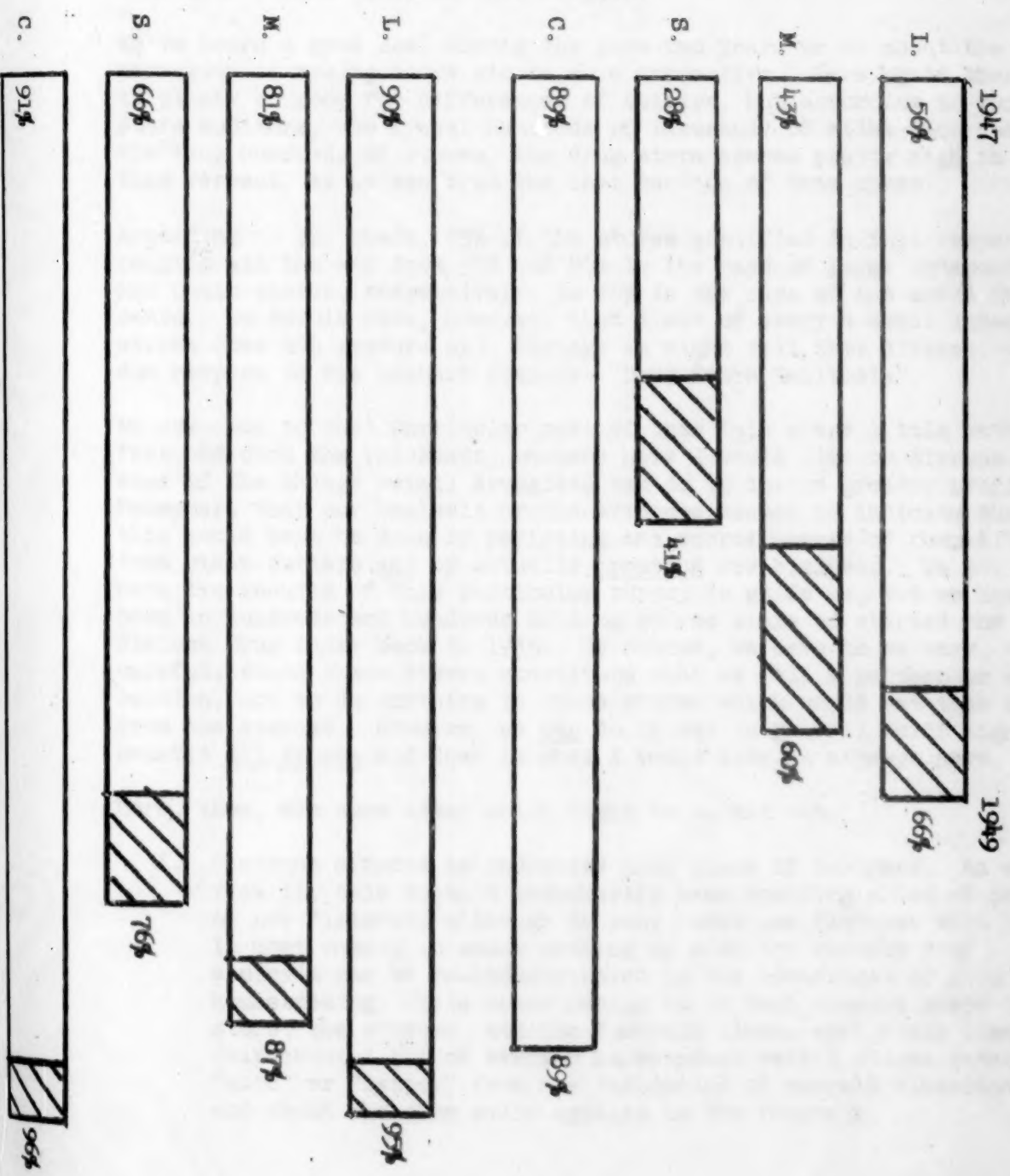
(53%)

Are Store

Stocks

Attractive?

(83%)



III- - TRANSFER FROM NEW TO TRUCK A



Has the average druggist made any attempt to group his cosmetics, his baby needs, etc.? The survey shows that 53% of all drug stores, or practically 1 out of every 2, have departmentalized to a rather great extent. This figure varies rather markedly by size of store ranging from 89% in the case of the chain stores to 41% in the case of the small independent. Note, however, the rather marked growth among all of the independent store groups with respect to departmentalization. The large and medium stores particularly seem to have taken a leaf from the chain stores' book in this respect.

We've heard a good deal during the past two years or so about the necessity of making store stocks more attractive. Here again there is plenty of room for differences of opinion, but according to our store auditors, who travel hundreds of thousands of miles each year visiting hundreds of stores, the drug store scores pretty high in this respect, as we see from the last section of this chart.

According to our check, 83% of the stores qualified in this respect--ranging all the way from 95% and 96% in the case of large independent and chain stores, respectively, to 76% in the case of the small independents. We should note, however, that 1 out of every 4 small independent stores does not measure up. Perhaps we might call this disease--with due respect to the Lambert Company--"Drug Store Halitosis".

We now come to that particular part of this talk where I talk rather fast and duck the brickbats, because here I would like to discuss some of the things retail druggists can do to insure greater profits. Remember, that our analysis of the evidence seemed to indicate that this could best be done by resisting the encroachments of competition from other outlets and by actually creating new business. We not only have the results of this particular survey to guide us, but we have been in hundreds and hundreds of drug stores since we started the Nielsen Drug Index back in 1933. Of course, we have to be very, very careful, since these stores constitute what we call a pattern or cross-section, not to do anything in those stores which would set them apart from the average. However, we can do things in general which might benefit all stores and that is what I would like to attempt here.

Here, then, are some ideas which might be worked out.

1. Continue efforts to modernize your place of business. As we view it, this doesn't necessarily mean spending a lot of money on new fixtures, although in many cases new fixtures will help. In most cases, it means setting up a system whereby your employes can be re-indoctrinated in the advantages of good housekeeping. This means seeing to it that someone keeps the store, the windows, and the fountain clean--spotlessly clean. Only about 1 out of every 2 independent retail stores rates "good" or "better" from the standpoint of overall cleanliness and about the same ratio applies to the fountain.

the average brought was an attempt to group the countries, his
only need, that the survey shows that 5% of all drug stores, or
approximately 1 out of every 20, have specialized in a variety of
drugs. This figure varies rather markedly by size of store ranging
from 5% in the case of the chain stores to 15% in the case of the
small independent. Here, however, the rather marked growth among all
of the independent drug stores with respect to specialization.
The large and medium stores particularly seem to have taken a lead from
the chain stores' point of view.

We have a good deal during the past few years or so about the
necessity of making some more extensive. But again there
is plenty of room for differences of opinion. But according to our
own statistics, who travel hundreds of thousands of miles each year
visiting hundreds of stores, the drug store scene pretty high in
this respect, as we see from the last section of this report.

According to our study, 5% of the stores qualified in this respect.
Including all the way from 5% and 9% in the case of large independent
and chain stores. Approximately, as 10% in the case of the small independ-
ent. We should note, however, that 1 out of every 5 small independent
stores has not made up its mind as to what to do about this disease--with
the recent for the last few years.

We are to find particular part of this study where I will answer
last and first for this study, because here I would like to discuss
some of the things which brought me to do further greater study
towards that an analysis of the evidence seemed to indicate that
this would best be done by visiting the thousands of stores of competition
from other outlets and by actually seeing new business. We not only
see the results of this particular survey on which we, but we have
been in hundreds and hundreds of drug stores since we started the
National Drug Index back in 1935. Of course, we have to be very, very
careful, when these stores are visited, what we call a pattern or cross-
section, and so it is to be sure to have stores which would not be part
from the average. However, we can do things in general which might
possibly all things and that is what I would like to discuss here.

Now, then, and now there will be worked out.

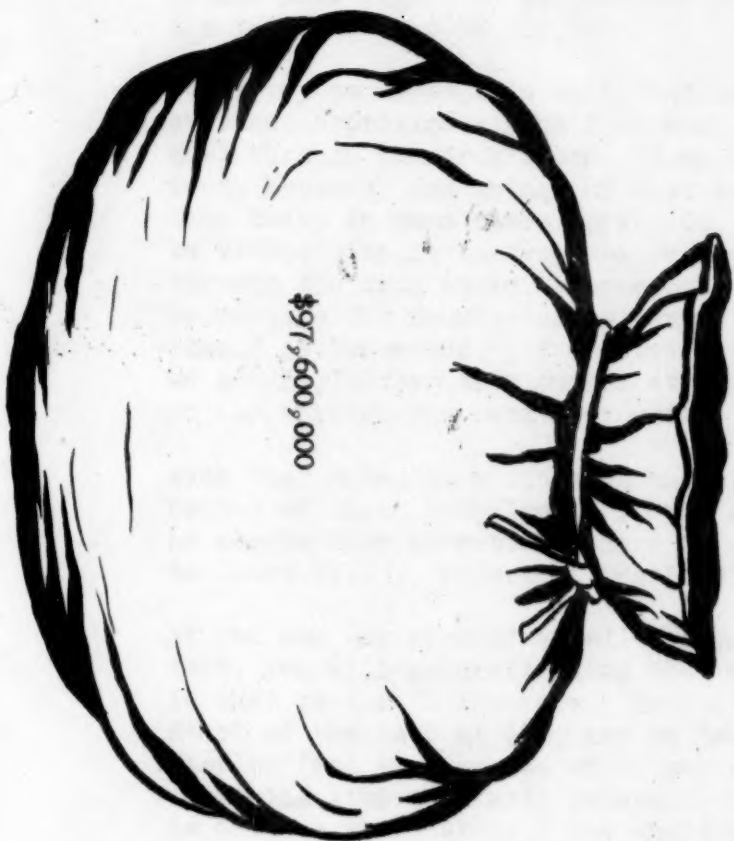
Positive efforts to determine your place in business. As we
view it, this doesn't necessarily mean spending a lot of money
on the business, although in some cases new fixtures will help
in some cases, it means setting up a system whereby you
register as the independent in the advantages of good
investing. This means seeing to it that common sense be
used, the vision, and the financial ability. Especially when
this about 1 out of every 5 independent retail stores rates
"good" or "better" from the standpoint of overall cleanliness
and about the same ratio applies to the layout.

2. Check up on your lighting to make sure it is in line with today's standards. Perhaps you may be one of the 40%--4 out of every 10-- whose lighting is well below par. Remember, what the customer can't see, he can't buy. Putting it another way, seeing is the biggest thing in selling and we all know that lighting is the biggest thing in seeing. In practically all cases you'll find your local electric light company well equipped to serve you.
3. See to it that one of your employees is charged with the responsibility for keeping the tops of counters in apple-pie condition. Certainly the retailer should display merchandise and display it well, but you can't display everything at one time without having the store look like a Monday morning wash line. All of us have seen many stores in which a jumble of merchandise will be found on the tops of counters which has not been placed there with the idea of displaying the merchandise, but rather the counter happened to be a convenient place to drop the item. We also see many stores where the tops of counters are nothing but a catch-all for any small type of display piece which a salesman might bring into the store. "It can't happen here" you say? Well, our survey showed that 57.4%, or almost 6 out of every 10 drug stores, failed to measure up in this respect.
4. One way out of this situation and at the same time a means of building or creating business is to feature and display fast-moving nationally advertised merchandise. After all, manufacturers annually spend millions of dollars trying to motivate consumers to buy and there is no reason why the retail drug outlet should not capitalize on this substantial support.

We became a little curious about this a while back and, through figures assembled originally by the magazine and newspaper people, we actually added up all the money spent in the advertising of drug and toiletry items. This does not include tobacco, nor does it include sundries. It is regular drug store merchandise, like tooth brushes and tooth paste and shaving lotion, and similar products that move through the drug store. I thought you might be interested in these figures. (Please turn to Chart VII - "The Manufacturers' Ante")

The manufacturers' ante is \$97,600,000. That deserves just a bit of explanation. It is the estimated advertising expenditures by manufacturers of drug and toiletry items in three media only: chain radio, magazines and newspapers. In the case of newspapers, it does not get down to the newspapers published in towns of less than 100,000, not because they are not important but simply because Media Records, Inc., does not audit those papers at the present time. Nor does it include the vast amount of money spent in spot radio, billboards, car cards, displays of one sort or another. How

THE MANUFACTURERS' ANTE



\$97,600,000

Or \$1,740 Per Drug
Outlet

171

THE MUSEUM OF THE



of the fish, in the
middle of the

much that is anybody's guess. There is no measure of it. But I will hold, just for argument's sake, that it would approximately double this figure of \$97,600,000 that you see here, thus making the total about \$196,000,000.

Don't try to apply this next statement to any one item but, on the average, approximately half of what we consider drug store business goes through the drug store. I am speaking of shaving cream and tooth brushes, and things of that sort. In some cases it is less than that; in some cases more. So, having blown it up to \$196,000,000, we will divide it in two because one-half of these products move through the drug store. Therefore, this figure of \$97,600,000 represents the manufacturers' ante, in so far as the drug store itself is concerned. If we divide it by the number of drug stores, we get \$1,740 per drug outlet expended in motivating the consumer to buy through the retail druggist.

With that ante, it would seem that you should tie in with the better of these campaigns. If you don't tie in through display of merchandise advertised, here is what happens: (Please refer to Chart VIII - "Effect of Displays")

If you run any kind of a well designed, well balanced display test, you will generally find that sales in the stores cooperating in that test will increase. Here is an instance where we set the start of the test at 100, and we have shown at the end of the display test an increase of 41 per cent in sales. As I say, something like that will generally happen but this, of course, is not the whole story. The whole story is that those stores who display actively and regularly on nationally advertised items actually, in effect, take business from the stores who do not display, because if we audit the entire town, as we do, here is what we find happens.

We find that the non-display stores suffer a decline in the sales of that item on display--in this case, 24 per cent. And because the non-display stores, in this case, do a greater volume than the display stores, the net is as shown in this line, an increase of 8.5 per cent over the period of time. So, if you display, you win. If you don't display, you don't merely keep even, you actually lose.

5. Check up on the extent to which you have departmentalized or at least grouped your products. As many of you know, actual experience has many times demonstrated the truth of the saying that "grouping companion items together makes two sales grow where only one grew before."

Chart 8

EFFECT OF DISPLAYS

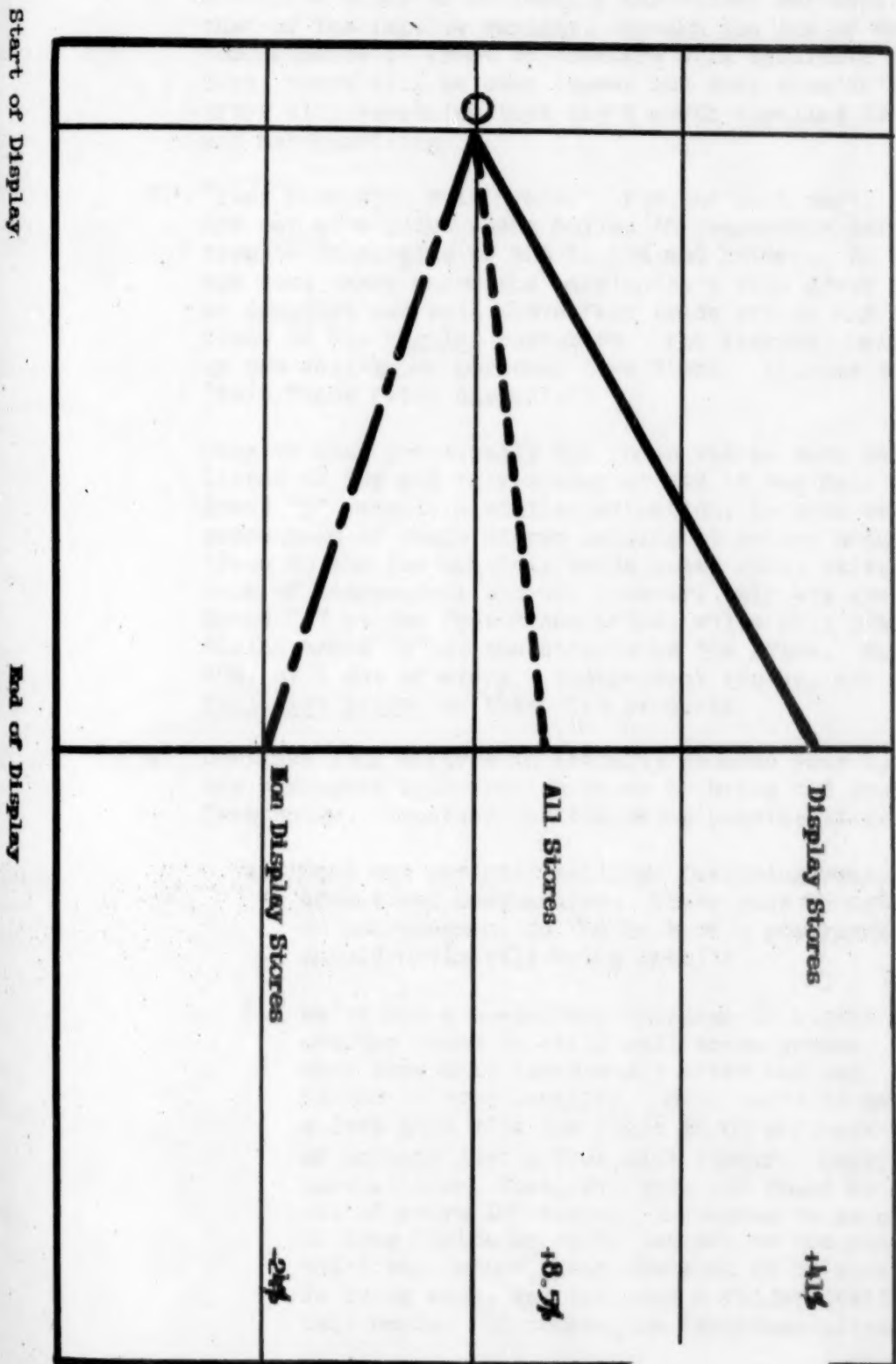


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Chapter XXIX	290
Chapter XXX	300

6. Stimulate sales of nationally advertised merchandise, particularly that of the impulse variety, through the use of self-service compartments in front of counters a la syndicate and chain stores. Sure, there will be some losses but they shouldn't be too great. After all, something that isn't worth stealing isn't worth selling and merchandising.
7. "Play Fair with Fair Trade." For the most part, fair trade prices are set at a point where buying in reasonably large quantities results in margins of 30% to 33% and better. To be sure, there are some cases where the margin isn't this great but in general no druggist can sell above fair trade prices and hope to keep the trade of his regular customers. For example, here is the situation on two well-known personal care items. (Please turn to Chart IX - "Fair Trade Price Analysis")

Observe that practically all chain stores were selling Brand "A," listed at 50¢ and fair-traded at 39¢ at the fair trade price. Brand "B" reveals a similar situation; in both cases the small percentage of chain stores selling at prices under fair trade trace to the few non-fair trade areas still existing. In the case of independent stores, however, only 47% are selling Brand "A" at the fair trade price, while only 56% are merchandising Brand "B" at the stipulated 39¢ price. Note that almost 25%, or 1 out of every 4 independent stores, are getting the full list price for these two products.

8. Continue your efforts to actually promote your business--to bring new customers into your store or to bring old customers back more frequently. Consider the following possibilities:
 - A. Send out periodic mailings featuring seasonable, nationally advertised merchandise. These need be nothing elaborate; an announcement on the back of a government penny postcard should ordinarily bring results.
 - B. We've had a tremendous increase in births in this country and the trend is still well above prewar, although somewhat less than immediately after the war. Watch out for births in your locality. Send cards to mothers offering a free gift with the first \$2.00 purchase of baby needs, or perhaps just a free gift itself. Henry S. Mayer of Marshalltown, Iowa, did this and found he got a response 60 out of every 100 times. According to an article published in Drug Topics he sends letters to the hospital on the third day, after first checking to be sure that the baby is doing well, and includes a folder listing 49 types of baby needs. Of course, he departmentalizes, having a

3. The first of the two...
...the use of self-service...
...the use of self-service...
...the use of self-service...

4. The first of the two...
...the use of self-service...
...the use of self-service...
...the use of self-service...

5. The first of the two...
...the use of self-service...
...the use of self-service...
...the use of self-service...

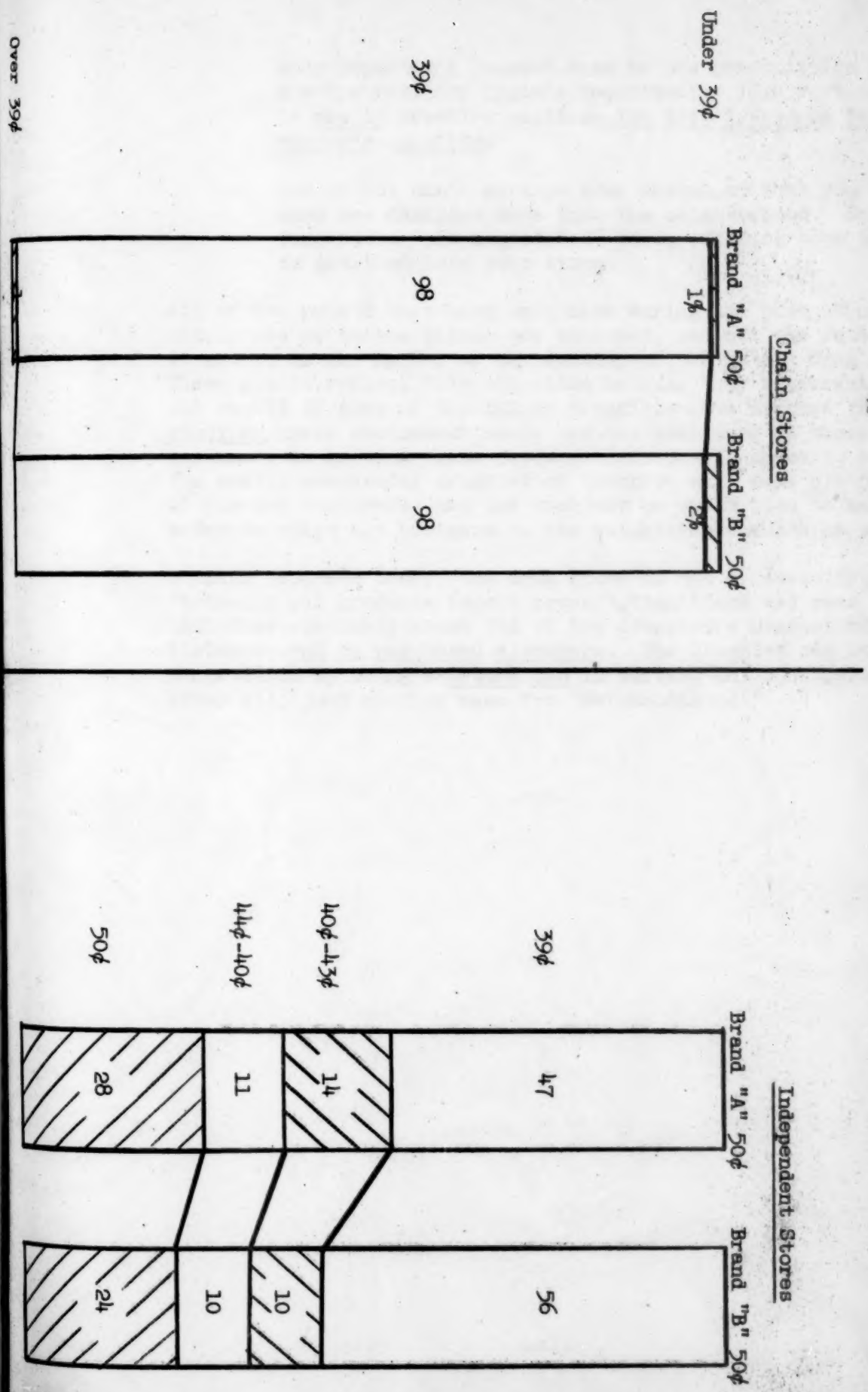
6. The first of the two...
...the use of self-service...
...the use of self-service...
...the use of self-service...

7. The first of the two...
...the use of self-service...
...the use of self-service...
...the use of self-service...

8. The first of the two...
...the use of self-service...
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FAIR TRADE PRICE ANALYSIS

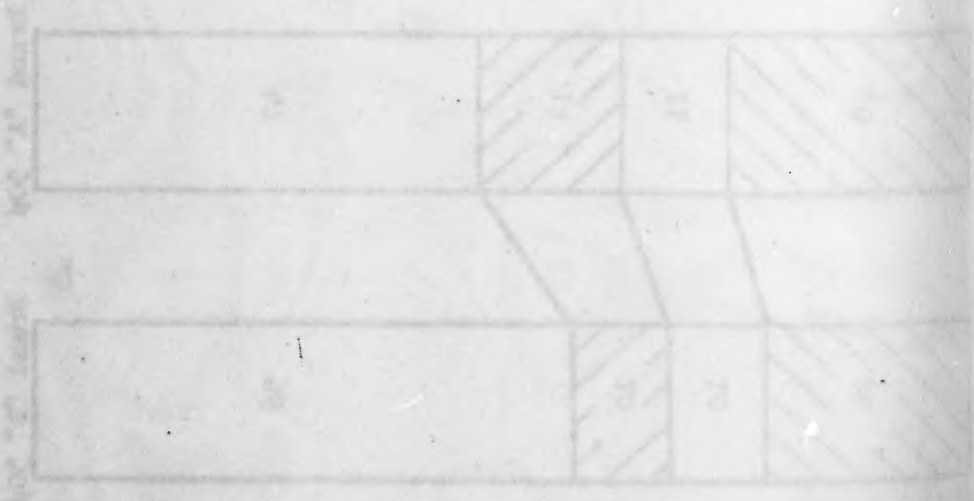
4 All Stores Selling At Each Price Level



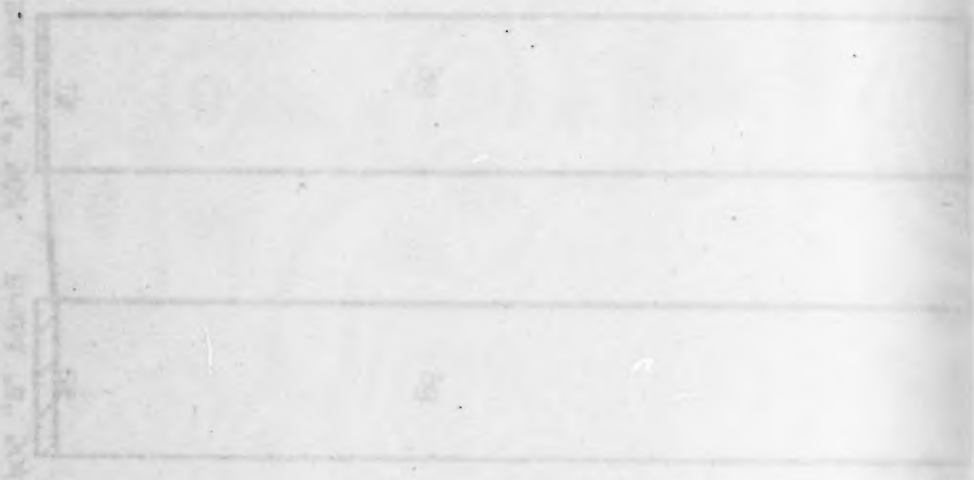
PLAN OF THE PORT OF NEW YORK

Scale of Miles 0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

PLAN OF THE PORT OF NEW YORK



PLAN OF THE PORT OF NEW YORK



baby department located next to the prescription case and the feminine hygiene department. This sort of thing is really creative selling--the best insurance for tomorrow's profits.

- C. See if you can't arrange some system so that you know when new families move into the neighborhood. Send these families a "get acquainted" card, offering some inducement to get them into your store.

All of the points that have been made during the past 45 minutes simply add up to one thing--the consumer, and not the retail druggist, is the master of the destiny of the retail drug store. These points reflect this situation because they represent the end result of some of the things druggists have learned in studying their customers' needs and the reactions of those customers in getting those needs satisfied. It seems to me that the really successful druggist of tomorrow will make his own study of his own customers--and the customer he would like to have--in order to adapt his business to the neighborhood which he serves.

On many products today, the drug store is not a necessity. Virtually all products except prescription items and some patent medicines--probably about 75% of the druggist's present volume of business--can be purchased elsewhere. The druggist can combat this competition by doing a better job in serving the consumer--which is, after all, just another name for "Merchandising!"

-000-

any department involved in the investigation and the Federal Bureau of Investigation. This sort of thing is really creating a serious situation for the Government.

Q. Now if you could arrange some way so that you know when you really know into the relationship, that these facilities are not available, which, affecting some information to put into your story.

All of the points that have been made during the past 45 minutes along with up to one thing, the document, and the report, is the matter of the timing of the report of the report. These points reflect this situation because they represent the and result of some of the things that have been learned in studying their evidence, and the knowledge of those circumstances in which they were collected. It seems to me that the really important question of interest will come up along with the two documents, and the testimony he would like to have in order to show the situation in the relationship which is serious.

Q. Now, looking back, the first story is not a necessity. It really all depends upon the situation there and some point in time, possibly about 1940 or the beginning of the second volume of evidence, and the evidence is not clear. The evidence on which this was based is really not clear, and the evidence is not clear. Just another name for the investigation.

THE PRESCRIPTION DEPARTMENT

Dr. Ralph W. Clark
University of Oklahoma

THE PRESCRIPTION DEPARTMENT

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University of Oklahoma

THE PRESCRIPTION DEPARTMENT

Ralph W. Clark, Dean
School of Pharmacy
University of Oklahoma

The prescription department contributes to some extent to the profit of so-called average drugstores, but in many cases its importance is less tangible. It is the one department found exclusively in drugstores. The merchandise in it which must be sold "by or on the prescription of a physician, dentist or veterinarian" represents most of the merchandise for the sale of which the druggist has an option. In extreme cases the prescription department is little more than an excuse for operating a drugstore with the advantages afforded simply because the prescription department, poor as it may be, makes it possible to call the store a drugstore. On the other hand there has been a relatively slow but steady growth of prescription shops. In these professional establishments, fifty per cent or more of the sales are prescriptions. No matter which point of view is taken by the pharmacist in developing the prescription department, it is important to him, whether it is neglected or emphasized.

People prefer one prescription department over another because of their over-all confidence in the pharmacist and his staff, because of its convenient location, and the prescription pricing policy of the department. Confidence in the person or persons who compound the prescriptions is by far the most important reason for favoring prescriptions dispensed in some prescription departments rather than others. Many factors are involved in a well-operated and well-promoted prescription department. They contribute in various ways to the confidence people have in the establishment of their choice. It is the purpose of this paper to discuss some of the ways which may be used to increase the value of the pharmacist's professional service in the prescription department.

It may be apparent at this point that I believe that successful prescription departments are the result of a pharmacist's genuine desire to make this most important part of pharmacy a vital service, followed by combining and persistently applying a number of plans in a long time program. It has been my observation that personality -- partly a gift and partly an achievement, which is often reflected in the policy of the pharmacy and attitudes of other employees -- plays a very important role in any successful prescription department. Perhaps teachers may find ways to influence students who soon will become pharmacists to develop and make better use of their personalities -- "the most profound, most mysterious, and most potential factor in the universe." Perhaps teachers may also eventually find a way to develop better reading habits in students, so that when young men or women become pharmacists they will not stop their education but become continually better members of their chosen profession. The keys to the means to plan, operate and promote better prescription departments lie in the development of personality and ability of pharmacists.

Sales promotion may be defined as the total of all the activities that contribute to the sale of a product or service.

Pharmacists used very little, if any, sales promotion back when the pharmacy was a small, quiet place, identified by show globes in the windows, where drugs were sold to people who were ill. Today, because of public demand, the majority of pharmacists sell a variety of merchandise, in addition to giving a professional service, in greatly improved establishments with modern fronts and interiors. Although great strides have been made in sales promotion of good products by dramatizing their best features and presenting them in an attractive manner, pharmacists themselves have not made a great contribution compared to the enormous outside sales promotion efforts being devoted to the products they sell. Pharmacists have done even less in presenting their public health service. Most

THE PRESCRIPTION DEPARTMENT

Edwin L. Clark, Dean
School of Pharmacy
University of Oklahoma

The prescription department constitutes to some extent the profit of the pharmacy business, but in many cases the importance is less tangible. It is the one department found exclusively in drugstores. The merchandise in it which may be sold "by" or on the prescription of a physician, dentists or veterinarians represents most of the merchandise for the sale of which the drugstore has an outlet. In extreme cases the prescription department is little more than an annex for operating a drugstore with the advantages afforded simply because the prescription department, poor as it may be, makes it possible to sell the store's merchandise. On the other hand there has been a relatively slow but steady growth of prescription drugs. In these professional establishments, fifty per cent or more of the sales are prescriptions. In matters which point of view is taken of the pharmacist in developing the prescription department, it is important to him, whether it is neglected or emphasized.

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It may be argued at this point that I believe that successful prescription departments are the result of a pharmacist's genuine desire to make this most important part of pharmacy a vital service, followed by confidence and eventually by a number of plans in a long time process. It has been my observation that successful departments -- partly a gift and partly an achievement, which is often related in the policy of the pharmacy and attitudes of other employees -- plays a very important role in any successful prescription department. Perhaps the most important way to increase sales is to have people who will become pharmacists to increase and make better use of their personalities -- the most profound, most effective, and most potential factor in the business. Perhaps teachers may also eventually find a way to develop better reading habits in students, so that when young men or women become pharmacists they will not stop their education but become continually better members of their chosen profession. The way to the future to plan, operate and promote better prescription departments is in the development of personality and ability of pharmacists.

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pharmacists are not aggressive in promoting their prescription service, their public health departments, or any other portion of their activities even after they have decided that one or the other of these departments should be treated differently than simply as another department. The two points to be emphasized are that it is up to each pharmacist to decide which department or departments he considers should be actively promoted, and then he should coordinate advertising, display, and a regular, planned promotion policy, rather than a casual and uncertain practice.

Pharmacies operated primarily or exclusively as prescription and health merchandise centers, are limited in number and their promotional problems vary considerably from many average pharmacies. On the other hand, many proprietors or managers of so-called average pharmacies are aware of the importance of the prescription department, as well as the sale of merchandise related to it, and therefore actively promote it for the many benefits derived from this excellent source of service, sales, and profit. It seems logical that pharmacy's role in the protection of public health should be vigorously promoted, but even recent graduates from colleges of pharmacy sometimes seem to lack ability in this field.

It has been said that, "Once, the pharmacist manufactured. Now, he largely distributes. He works less with his hands than he did formerly, but he must know more." This concise statement concerning the pharmacist's change from the position of establishing standards, to the dispenser of drugs which are standardized, covers the trend very well. It is true that he must know more to intelligently distribute and promote the sales of the many new products used by the medical profession today. The pharmacist should also know more about better sales promotional practices which will not interfere with the soundness of his professional work, but rather give the public an opportunity to evaluate and appreciate it. The public is very much interested in health problems and there will never be a better time for pharmacists to increase their sales promotion of the products and services they are in a position to supply.

Some steps to be taken in sales promotion are:

1. Improvement of appearance of the pharmacy, with special emphasis on the prescription department.
2. Improvement of stock.
3. Improvement of equipment and library.
4. More complete information on products sold.
5. Promotion to physicians and dentists by news sheets, letters and calls, based on quality of potent, standardized products, and the service the pharmacist can offer the physician and his patients.
6. Professional service of the kind to make the pharmacy a vital force in the community.
7. Newspaper, radio and other largely institutional advertising.
8. Packages and package inserts.
9. Window displays.
10. Store displays.
11. Conservation and better use of literature and displays supplied by manufacturers, and cooperation with their representatives.
12. Fair prescription prices.

Many prescription departments have been or will be brought out of hiding from obscure and crowded quarters, but still will remain at the rear of the store. Others will meet the customer's eye when he enters, because they will have been given a more prominent place toward the front of the store. I have never known a pharmacist who regretted moving the very important prescription department from the back of his drugstore to a more prominent and serviceable position on one side of the room.

Pharmacists are not aggressive in promoting their prescription services, their public health departments, or any other portion of their activities even after they have decided that one or the other of these departments should be treated differently than always as another department. The two points to be emphasized are that it is up to each pharmacist to decide which department or departments he considers should be actively promoted, and then he should coordinate advertising, display, and a regular, planned promotion policy, rather than a haphazard and uncertain practice.

Pharmacies operated primarily or exclusively as prescription and health merchandising centers, are limited in number and their promotional programs very considerably from many average pharmacies. On the other hand, many proprietors or managers of so-called average pharmacies are aware of the importance of the merchandising department, as well as the sale of merchandise related to it, and therefore actively promote it for the many benefits derived from this excellent source of service, sales, and profits. It seems logical that pharmacy's role in the promotion of public health should be vigorously promoted, but even recent graduates from colleges of pharmacy sometimes seem to lack ability in this field.

It has been said that "Once, the pharmacist maintained, for he largely believed, he won't lose with his hands than he did formerly, but he must move more." This concise statement concerning the pharmacist's change from the position of retailing standards, to the dispenser of drugs which has been replaced, covers the ground very well. It is true that he must know more to intelligently distinguish and promote the sales of the many new products used in the medical profession today. The pharmacist should also know more about other sales promotional questions which will not interfere with the soundness of his professional work, but rather give the public an opportunity to evaluate and purchase it. The public is very much interested in health problems and will never be a better time for pharmacists to increase their sales promotion of the products and services they are in a position to supply.

Some steps to be taken in sales promotion are:

1. Improvement of appearance of the pharmacy, with special emphasis on the prescription department.
2. Improvement of stock.
3. Improvement of equipment and library.
4. More complete information on products sold.
5. Promotion to physicians and dentists by news sheets, letters and calls, based on quality of product, standardized products, and the service the pharmacist can offer the physician and his patients.
6. Professional service of the kind to make the pharmacy a vital force in the community.
7. Newspaper, radio and other largely institutional advertising.
8. Booklets and package inserts.
9. Window displays.
10. Store displays.
11. Conversation and better use of literature and displays supplied by manufacturers, and cooperation with their representatives.
12. Gift prescription prices.

Long prescription departments have been or will be brought out of hiding from obscure and crowded quarters, but still will remain at the rear of the store. Others will meet the customer's eye when he enters, because they will have been given a more prominent place toward the front of the store. I have never known a pharmacist who regretted moving the very important prescription department from the back of his drugstore to a more prominent and serviceable position on one side of the room.

The advantages of a semi-open prescription department are well established, and variations of this type of layout are important factors in prescription departments. A semi-open prescription desk may be adapted to fit individual tastes and needs. Most pharmacists desire a certain degree of privacy in their prescription work, and accordingly favor keeping the front of the prescription desk up to a level permitting work to be done without undue exposure to public view. A wrapping and service counter placed in front of the semi-open prescription desk ensures even more privacy by keeping the customer at a greater distance from the pharmacist as he works.

Old fixtures, which completely close the view to the prescription department, can be replaced by new or remodeled fixtures which will change the usually unimpressive back room into a more attractive, noticeable department. The pharmacist is more apt to keep a partially open prescription department clean and attractive and not devote it to other than professional uses. The fact that the pharmacist is enabled to view his store completely while compounding prescriptions also is important; and when customers see that the pharmacist is busy in the prescription department they may be more patient in awaiting their turn for service.

Most pharmacists prefer to feature the products of reputable manufacturers in their prescription departments. It is unsound practice to feature one "line" to the exclusion of others, if one expects cooperation from other manufacturers' medical service representatives. Chemicals and pharmaceuticals which are acceptable to the medical profession and the public may be shown at a safe distance on shelves constructed behind the semi-open prescription desk. While the semi-open prescription department serves to attract attention to the "mysteries" of Pharmacy, it also provides a means properly to display pharmaceuticals and chemicals, encourages the pharmacist to keep this important department clean and professional looking, provides a suitable place to compound prescriptions, and generally enhances the appearance of the drugstore. Plans and suggestions for building or remodelling prescription departments are available from several manufacturers.

It has been found that a prescription department which is physically adequate and modern, whether semi-open or closed, generally contributes to better prescription service and volume. Recognizing and discarding sub-standard old products, and stocking fresh dependable products which are required by members of the medical profession to serve their patients is another important factor in improving prescription volume. Many prescription departments have poor equipment and inadequate reference books and files. Qualitative and quantitative accuracy are essential to the dispensing of prescriptions and they surpass many other elements in building confidence in a prescription department. The use of graduated bottles rather than more accurate graduates is an undesirable practice outlawed in several states. No pharmacist needs to advertise that he has fresh drugs, or that he compounds prescriptions exactly as written, to the embarrassment of his colleagues, who are not really his competitors, because of the inference that only his prescription department offers these things. The medical profession and the public will observe very promptly and be influenced by the quality of drugs, equipment and information available in a prescription department.

If I were asked for my impression of the greatest handicap in the development of prescription business, I would say that it is lack of knowledge of both official and non-official products. The recent graduate is better posted on the official products, but soon finds himself wanting there too. He frequently is poorly informed concerning non-official pharmaceuticals which are predominant in prescription departments. Newton D. Baker made a statement which applies to too many graduates of all types of colleges. He said, "The man who graduates today and stops learning tomorrow is uneducated the day after." You all are

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familiar with the problem of keeping informed and properly stocked with new products which, incidentally, are essentially sold to the pharmacy on consignment in most instances as they are returnable for credit within a reasonable time. To keep up with what is new, it is necessary to read medical and pharmaceutical journals as well as the house publications and literature from chemical and pharmaceutical manufacturers. The manufacturers' representatives can furnish most useful information to pharmacists as they detail in their area. Physicians and dentists will, in time, become interested in a pharmacist and his pharmacy if he can give them quick, dependable information on the new drugs about which they inquire. Some pharmacists have found that it pays to send bulletins or letters containing information of this kind to physicians and dentists. One very great advantage of this program is that the pharmacist finds himself developing an interest on his own part, and then gaining customers as a result of being up-to-date and capable of rendering specific service.

Pharmacists have the right to exercise their knowledge in influencing physicians and dentists to prescribe various kinds of preparations which they believe to be of advantage to the patient. A sure way to develop prescription business is by contacting physicians and dentists through personal calls and letters. Pharmacists are prepared to help these men by making suggestions which will be of value to their patients. Either or both methods of contact can be used to advantage, but results will be secured only in proportion to the regularity of the contacts and the value of the service rendered.

Good service means quick service. A good method of filing prescriptions aids in giving good service, especially on refills. In general, it is found best to file prescriptions in comparatively small units--approximately 100 prescriptions rather than a thousand or more--especially if several pharmacists are working in a prescription department. A few large prescription shops are using the microfilm method of filing and reading prescriptions. This space saving method makes it possible to file approximately 8000 prescriptions in a carton less than four inches square and one inch deep. A pharmacist who operates several stores may use their film records to have all prescriptions available in one store so he may close others on Sundays and holidays. A card file by customers' names will avoid delay and make a good impression when a customer does not have the number of a prescription when a refill is required. However, it should be noted here that refills of dangerous drugs and certain specific drugs may not be considered to the patient's advantage or legal. Promiscuous refilling of prescriptions is not practiced in a well and ethically operated prescription department.

Prescription volume may be developed by newspaper and radio advertising, window displays, and interior displays. All of these mediums may be used to advantage to let the public and the public health professions know that the pharmacy is operated by a professionally minded man. Future pharmacists should be taught to use to better advantage the professional material in their pharmacies, as well as that which is supplied for them by manufacturers. The code of ethics of the A. Ph. A. should be observed in advertising and in all activities in the prescription department. It is well to point out here that advertising must be truthful, not misleading, or it will bring discredit to Pharmacy. The pharmacist may find himself in legal difficulty if he disregards this warning. It is probable that there is no such thing as "free" delivery service, as an example.

Valuable professional display material is available from many manufacturers. Pharmacy presents many interesting and dramatic themes for displays. At least occasional professional window and store displays are essential in a program to promote a prescription department. Much of the available display material is wasted or at least improperly used.

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Good service means quick service. A good method of filling prescriptions is in giving good service, especially on refills. In general, it is found that the prescriptions in a community are approximately 100 prescriptions per pharmacist per month or more—especially if several pharmacists are working in a prescription department. A few large prescription shops are doing the business of filling and rendering prescriptions. This space is being methodically taken to the point where it is possible to have all prescriptions filled in one place as they come in. A pharmacist who operates a small store may not have the number of a prescription when a refill is required. However, names will avoid delay and make a good impression when a customer is contacted. It should be noted here that refills of dangerous drugs and certain specific drugs may not be considered in the patient's advantage or legal. Provision for refilling of prescriptions is not practiced in a well and ethically operated prescription department.

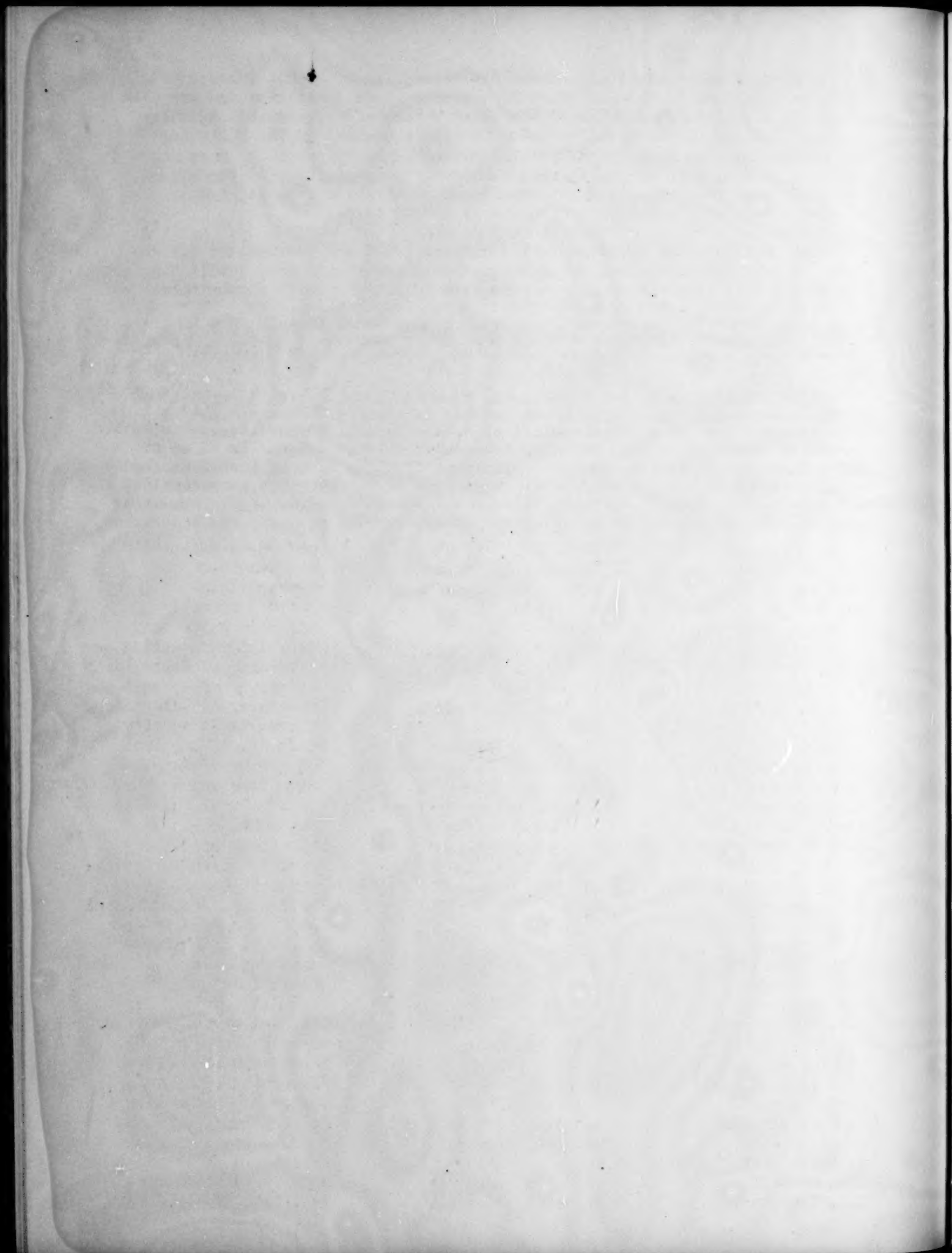
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Visible professional display material is available from many manufacturers. Pharmacy presents many interesting and dramatic themes for displays. At least occasional professional window and store displays are essential in a program to promote a prescription department. Much of the available display material is wasted or at least improperly used.

Prescription packages and labels are undergoing continual improvement. They are important in the promotion of a prescription department and are discussed in detail in Chapter 10 of the third volume of Lippincott's American Pharmacy Series. Prescription pricing is well presented in the following chapter of the same book. Some pricing system is badly needed by most pharmacies. It should be simple so that it may be successfully put into effect. At the present time there still is too large a variation in prescription pricing. The range should be curtailed at a fair level.

One very apparent trend is that a comparatively few pharmacists are emphasizing and promoting their prescription departments and as a result they are dispensing more prescriptions as others barely maintain their former volume or may be compounding fewer prescriptions. A prescription department is required in a drugstore. The investment is great. Professional training and interest should be adequate. It seems obvious that every pharmacist should be interested in offering a continually better professional service to his community.

The prescription market is changing from one prescription department to another and in many other ways. But another interesting trend is that more prescriptions are being dispensed and at a considerably higher average price because of the new, potent, and many instances, miracle drugs. It is up to each pharmacist to decide whether he wants to dispense more or less than the average number of prescriptions. If he decides to increase his prescription volume it can be done if he will follow a well-planned and regularly executed program directed toward the heart of the drugstore--the prescription department.



REGISTRANTS

SEMINAR IN PHARMACY ADMINISTRATION

The Ohio State University
College of Pharmacy
Columbus 10, Ohio

June 19 - 30, 1950

<u>NAME</u>	<u>ADDRESS</u>	<u>INSTITUTION</u>
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Frank Cosgrove	New Orleans, La.	Loyola University
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Muriel Loran	Columbus, Ohio	Ohio State University
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Ralph J. Mill	Detroit, Michigan	Wayne University
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John W. Nelson	Columbus, Ohio	Ohio State University
M.L. Neuroth	Richmond, Virginia	Med. Col. of Virginia

MEMORANDUM THE OHIO STATE UNIVERSITY COLLEGE OF PHARMACY COLUMBUS, OHIO

June 12 - 30, 1950

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J.O. Peckham	New York, New York	A.C. Nielsen Co.
E.H. Plogman	Cincinnati, Ohio	Cin. College of Pharmacy
Herbert Raubenheimer	Brooklyn; New York	St. John's University
Henry D. Roth	Columbus, Ohio	Ohio State University
Jack C. Routson	Laramie, Wyoming	University of Wyoming
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